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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

^{Hearings}
REPORT OF PROCEEDINGS

[Nova Scotia]
Vol. 2

FEB 7 - 1938 - Feb. 8, 1938

REPORTERS:

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HALIFAX, NOVA SCOTIA, FEBRUARY 7, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

 HALIFAX, NOVA SCOTIA, FEBRUARY 7, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Province House, at Halifax, Nova Scotia, on Monday, February 7, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
)	
JOHN W. DAFOE, Esq.)	Commissioners
)	
DR. ROBERT ALEXANDER MacKAY)	
)	
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

James McGregor Stewart, Esq. K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE GOVERNMENT OF NOVA SCOTIA:

Hon. Angus L. Macdonald, K.C.	Premier
Hon. J. H. MacQuarrie, K.C.	Attorney General
Hon. John A. McDonald	Minister of Agriculture and Marketing
Dr. Alan Cameron	Deputy Minister, Public Works and Mines
Dr. F. H. Sexton	Director of Education
Dr. Peter S. Campbell	Chief Health Officer, Department of Public Health
Arthur S. Barnstead, Esq.	Deputy Provincial Secretary
E. B. Paul, Esq.	Deputy Minister of Labour
Ernest H. Blois	Director of Welfare Work, Department of Health
F. W. Walsh, Esq.	Director of Marketing

Province House,
Halifax, N.S.,
February 8, 1938.

MORNING SESSION

The Commission met at 10.30 A.M.

THE CHAIRMAN: I understand it would be convenient to go on with the Deputy Ministers this morning.

HON. MR. MACDONALD: That would be agreeable to us, Mr. Chairman.

THE CHAIRMAN: Would you indicate the first one.

MR. STEWART: I think, perhaps, Mr. Barnstead could go on with the Companies and Insurance Departments; that might be the most satisfactory.

ARTHUR S. BARNSTEAD, Deputy Secretary, Department of Provincial Secretary, was called.

BY MR. STEWART:

Q. Mr. Barnstead, you are the Deputy Provincial Secretary, and within your department comes the incorporation and registration of companies, and the administration of the Provincial Revenue Corporations Act? A. Yes.

Q. Would you explain the returns that are required by your department; first, for registration purposes, and after that for taxation purposes. A. Every company doing business in Nova Scotia is required to file in the month of January a statement, which is called its annual return, giving certain particulars in respect of its officers, annually elected directors, and so forth; giving also a statement of the capital, a brief statement of the capital employed, and general capital structure of the company. Then that is accompanied by an annual registration fee, payable under the Domestic, Dominion and Foreign Corporations Act.

Q. Just in connection with that, the scale of fees, is a sliding scale? A. Yes.

Q. Depending on the capital of the company? A. Depending

on the capital of the company.

Q. In the case of companies, doing business in several provinces, how is the tax adjustable? A. The license fee, in the first place, is adjusted by an application of the company, if it does not desire to pay the full fee on its nominal capital, it makes an application to the Governor-in-Council, and sets forth the reasons wherein the reduction should be effected.

Q. And the basis of adjustment? A. The amount of business which has been done in the province by a company already doing business, or a company coming in for the first time what is expected to be the normal amount of business, a minimum fee to cover what would be a reasonable amount.

Q. There is no definite rule to guide the Governor-in-Council? Nothing, except that we endeavour to keep the companies generally on a parity as far as possible.

Q. As regard this return, there is no uniformity in the procedure between the provinces, is there, at the present time? A. Not complete, no. Some of the provinces do not require it.

Q. Has there been any move made towards uniformity of returns? A. Yes, the Dominion and the provincial governments appointed a year and a half ago a conference, or had a conference or committee of the Under-secretary of State, the Assistant Under-secretary of State, and the regular officer of the provincial government dealing with company law, with the law officers of the Crown in the Dominion and Provinces.

Q. They met as a committee? A. They met as a committee a year ago, and then again last November, to consider the making of a uniform company law throughout Canada, and it has made very considerable progress so far.

Q. Does the committee deal with a uniform mode of incorporation? A. It has to deal with a uniform mode of incorporation primarily, and then a uniform Companies Act. Very great progress has been made in this conference towards that end.

Q. And the uniformity sought also applies to the annual returns for registration purposes? A. One of the matters that was before the conference was the question of the uniformity of returns, and a committee, of which I happen to be one of the members, is now dealing with the question, and we submitted at the last meeting a tentative report in regard to that.

Q. Turning for a moment to the tax returns, your principal corporation taxing act is the Provincial Revenue Corporations Act. Would you explain in a general way what returns are required in that case? A. Returns are required to be made during the month of April of the company's business relations in the province of Nova Scotia, as at the 31st of December of the previous year. All matters are arranged on that basis. This Act deals with banks, trust companies, loan companies, telephone companies, railway companies, and the ordinary business companies.

Q. Insurance companies? A. Insurance companies.

Q. The ones you have named are in special classes, and subject to special taxes. A. Yes.

Q. And all other companies are dealt with on a parity? A. Yes, so much per cent of their capital.

Q. What is the basis of taxation in regard to companies generally other than those you have spoken of, volume of business or capital? A. Based on capital, the capital assets being arrived at by a system of proportion; on the basis of assets employed within the province, comparable

to the assets employed all over, wherever the company operates.

Q. The proportion being the assets employed in Nova Scotia compared to the total assets of the company?

A. Yes, and we find the proportionate part of that.

Q. In regard to the special companies, the special classes, to which you have referred, insurance is dealt with in what manner? A. By a tax on the premiums.

Q. How is that ascertained? A. From returns filed by the various insurance companies in the month of April.

Q. That applies to life insurance as well as to other forms of insurance. A. Exactly; fire, casualty, and so on.

Q. Public utilities are taxed on what basis? A. On income and capital, and in the case of a light company, the meters, a twenty-five cent charge for meters; telephone companies, an instrument charge. In the case of railways, on the mileage covered; in the case of express companies, on the mileage covered; and in the case of telegraph lines on the basis of the investment in this territory.

Q. And banks? A. Banks, on office and on capital, and on the volume of business done, the capital of a bank being regarded as one-fifteenth per cent in Nova Scotia of the whole capital of the bank, including its resources.

Q. How is that one-fifteenth per cent arrived at?

A. A rough and ready method determined on population generally, a fair estimate of what it would be.

Q. An attempt to work it out -- ? A. An attempt to work it out rather than assess on the whole capital as is done in some provinces.

Q. Then trust and loan companies? A. On income and on capital.

Q. And companies that have capital employed in other

provinces, the same adjustment is made? A. Yes.

Q. Included in capital you have undistributed profits?

A. Yes, reserves and undistributed profits.

Q. Has any move been made towards uniformity in the matter of taxation? A. We have not been approached to any extent on that line.

Q. The committee that you referred to some time ago has not under consideration any uniformity in that respect?

A. No. We are dealing with the question of forms entirely, I think that is what one of the leading associations presented to the committee.

Q. But not a uniformity in tax rate? A. No.

THE CHAIRMAN: Pardon me, Mr. Stewart; I notice in the brief the suggestion that it would be in the public interest if taxation, -- income tax, company tax, and succession duties tax, were dealt with from the national point of view. I wonder if Mr. Barnstead would develop just what the government had in mind in connection with that.

MR. BARNSTEAD: Well, there would be no great objection in a case of that kind, we would welcome anything that would make for simplification, provided we got our proportionate share.

BY MR. STEWART:

Q. It has been suggested specifically by the insurance companies that the premium tax lends itself to a single audit and an allocation by a single authority of the tax throughout Canada as a whole. Do you agree with that suggestion? A. Probably more so than any other, because they make their returns now to the Dominion Government, -- although all companies do not. There will have to be a change in the law to cover that situation. I do not think the foreign companies, say a company

incorporated in Ontario and doing business only in Ontario, makes any return to the Dominion Department of Insurance.

THE CHAIRMAN: There are a few companies which are not licensed and therefore do not make returns. The Dominion Act does not compel a company carrying on business in one province only to take out a license.

BY MR. STEWART:

Q. Trust companies; would it be feasible and desirable, in your opinion, if a single return were made and an allocation by a central authority of the taxes?

A. I do not know how that would work out in trust companies, but there obviously cannot be very much difference between them and the case of the income of any company.

Q. And loan companies? A. Loan companies are on a par, they are ^{of} the same type. Might I add that in the case of insurance, and in the loan, and the trust companies in Nova Scotia we have an arrangement with the Superintendent of Insurance for the inspection of these companies, whether provincially operated and controlled, or Dominion companies. They are inspected by the one group of inspectors; we do not employ a separate staff for that purpose, we cooperate entirely with the Department at Ottawa.

Q. Has that worked satisfactorily in Nova Scotia?

A. We think it has worked very satisfactorily. We do not make any inspection of their securities.

Q. You make no audit? A. No, we trust to the Dominion audit, and the company must be registered with the Superintendent of Insurance before it can do business in Nova Scotia.

Q. Is it your opinion that that arrangement has saved either the government or the companies a considerable sum of money? A. We would think so, because insurance departments in the other provinces are supported by a

special tax. Our costs are very inconsequential; ^{part} the work is/ of the regular departmental duties.

Q. Have you made any estimate of what it would cost if Nova Scotia were to resume the inspection and licensing of insurance companies? A. No, I have made no definite estimate, but some of the other provinces run from \$6,000 to \$150,000. Rather a wide difference. I do not suppose it ^{involves} / us in actual cost more than \$1,200. I would not think it would be more than that.

Q. Do you think the work could be distributed among the hard working officials already employed in the department? A. Yes, that is what we would do.

Q. It would require an audit if Nova Scotia were to take that over? A. Yes.

Q. Mr. Barnstead, are you familiar with the operation of the gasoline tax? A. No, that is not under my department particularly. That is in the Highway Department.

Q. In connection with the administration of the insurance companies the province does make some regulations in connection with agents? A. Yes, we license agents, under a licensing act, and we have a special uniform act covering contracts of insurance.

Q. The law of the contracts of insurance and the licensing of agents are the only two fields which are covered by the Nova Scotia activities today? A. Yes.

THE CHAIRMAN: The life companies in the brief presented to the commission at Ottawa expressed the opinion that save as to the contract of insurance and the licensing of agents they believed it would be in the public interest that all other matters relating to insurance, so far as life companies are concerned, - and I think the fire companies agreed, - should be left to the opinion. Would that carry your judgment, would that support your actual action?

MR. BARNSTEAD: Yes. We are alone in that respect thus far, but that would be our view.

THE CHAIRMAN: I think that was also the view of the Superintendent of Insurance, Mr. Finlayson, when he came before the commission. He thought legislation as to the contract of insurance and the licensing of agents might perhaps be as conveniently, or more conveniently, dealt with by the province, particularly in view of the possible difference in the forms of contract in the province of Quebec and other provinces. But, save as to that, the whole administration of insurance, so far as governmental supervision and inspection is required, could be better done by the Dominion than by a province, at less expense to the companies, and the public, and I judge from your practice that you agree with that.

MR. BARNSTEAD: We would thoroughly agree with that, Mr. Chairman.

THE CHAIRMAN: There are one or two questions which may have been covered before. I was looking at the brief and I may have missed them. I would like to know how the fee for the incorporation of a local company in Nova Scotia compares with the license fee for a Dominion Company seeking to carry on business in Nova Scotia.

MR. BARNSTEAD: We are very careful to keep within the Privy Council decisions on that point, and a Dominion company is, under the terms of the act, not required to file returns until doing business in Nova Scotia for a month. But, once in the province then we require this return, and then we base the fee so that we do not discriminate between Nova Scotia incorporated companies and dominion incorporated companies; the basis of the fee is the same.

THE CHAIRMAN: You charge a Dominion company seeking a license to do business in Nova Scotia the same fee as you

would charge a local company seeking incorporation?

MR. BARNSTEAD: Yes, on the same basis, on the same scale. That is the registration fee you mean, in connection with the registration of a company to do business in the province?

THE CHAIRMAN: Yes. A Dominion company. And the same would apply to a foreign company.

MR. BARNSTEAD: The foreign is on a little higher scale.

THE CHAIRMAN: How about companies incorporated in other provinces?

MR. BARNSTEAD: They are classed as foreign companies. They are outside of our jurisdiction.

THE CHAIRMAN: Do you charge a company incorporated in Quebec or Ontario, or New Brunswick, or some other province, a higher fee to secure a license to do business in Nova Scotia than you charge a company locally incorporated in Nova Scotia?

MR. BARNSTEAD: The scale of the registration fee is higher, but we determine the fee on the foreign company as well as on a local and Dominion company on the basis of due regard being had to the nature and importance of the business of the company in Nova Scotia and the amount of capital used therein.

THE CHAIRMAN: Are you not thereby discriminating against a company incorporated in another province?

MR. BARNSTEAD: Well, they are in the same category as a company incorporated in England or the United States. They are without our jurisdiction. All companies outside of Nova Scotia are on the same basis. They are all treated alike.

THE CHAIRMAN: Then, the second question is this: Do locally incorporated companies enjoy any privileges in Nova Scotia not enjoyed by Dominion companies?

MR. BARNSTEAD: No, not for doing business.

THE CHAIRMAN: Well, in any respect. Is a Dominion company in any respect at a disadvantage compared to a provincially incorporated company in this province?

MR. BARNSTEAD: I cannot see that it is. We have in this province 1,649 companies doing business, of which 1,124 are incorporated within the jurisdiction of Nova Scotia; we have 283 Dominion companies doing business in Nova Scotia, of which 15 are doing business in Nova Scotia only. In addition to that we have 252 foreign companies. That gives the relative proportion.

THE CHAIRMAN: That is, as to Dominion. Do locally incorporated companies enjoy any privileges which companies incorporated in other provinces do not enjoy, and which companies take out a license to do business in Nova Scotia?

MR. BARNSTEAD: I do not think they do, sir, no; no legal difference.

THE CHAIRMAN: I just wanted to have it clear on those two points. Thank you.

DR. ALAN E. CAMERON, Deputy Minister, Department of Public Works and Mines, was called.

BY MR. STEWART:

Q. Mr. Cameron, you are the Deputy Minister of the Department of Mines? A. Department of Public Works and Mines.

Q. You have, I understand, prepared a memorandum.

A. I have prepared a memorandum, which I have submitted.

Q. Would you run over this memorandum? A. This memorandum was prepared in reply to a series of questions which were submitted to the Department, as requested by the commission, and I have listed here the questions and a brief reply to each one except the last one which is rather elaborate. The first question is;

"Describe briefly the work being carried on by the Department within the Province."

The answer to that is:

" There are several sub-divisions of the affairs of the Provincial Department of Mines. They are - coal mining; metal (including gold mining; quarries; special investigations on geology and mineral deposits. Further sub-divisions of each of these include - inspection for safety in mining; examinations for Certificates of Competency; Licenses to Search for minerals; Leases of mineral lands; collection of rentals and royalties from mineral lands; Development and conservation of mineral wealth, and regulation of mining company organization by restrictions as to leaseholds."

And the next question is:

"Describe briefly the work carried on by the corresponding Department of the Dominion Government within the Province."

The answer to that is:

" Work of the Department of Mines and Resources of the Federal Government touches upon many of these subjects, particularly in the matter of geological investigations, and more or less detailed investigations on many mineral resources, for example coal; gold. They have also charge of the fundamental mapping and surveying of the province, both land surveys and aerial photographic surveys."

Question No. 3 is:

"Point out respects in which the work is overlapping. A fuller explanation might be asked of any aspects of the work in which there appears to be overlapping."

The answer to that is:

" There is very little overlapping in these services as the Provincial Department attempts to work in the closest cooperation possible."

BY MR. STEWART:

Q. Would you compare those functions that are being carried out by the local Department of Mines with the work done by the Dominion Government, inside the province?

A. The Dominion government restricts its operation to geological investigations and to surveys.

Q. Geological investigation? ^{And} to general surveys? A. The Department of Mines and Resources in Ottawa now includes the general land surveys in Canada.

Q. The province also carries on geological surveys?

A. To a limited extent, and an attempt has been made to coordinate the work of the two departments.

Q. What is the line of demarkation between the two?

A. That line has not definitely been drawn. As a matter of fact, it is a pretty hard line to draw. We believe that the Dominion should take over the aerial surveys and geological work.

Q. That is a general investigation of the mineral wealth of the province?

A. A general investigation of the mineral wealth of the province, and that the province itself should do work on a specific mineral ~~occurrences~~ to assist in their development and exploitation.

THE CHAIRMAN: Why do you say the Dominion should take over the aerial surveys?

Mr. CAMERON: can Because they/ correlate with the whole of the Dominion, and because it is of national interest, I believe, for the Dominion to know and to control, in part, at least, the resources of the Dominion as a whole. They should know

the resources anyway.

BY MR. STEWART:

Q. Would it be possible for the whole of the mining work that is now done by the two jurisdictions to be done by one jurisdiction?

A. I don't think so, sir. I think that there is a line of separation that could be drawn.

Q. Do you think any saving could be made in the expenditure if the province were to take over the whole work, including the general investigation and the mapping?

A. Distinctly not. It would be duplication of services, I believe, throughout all the Dominion, which would be more expensive than the general Dominion work.

COMMISSIONER MacKAY: What do you mean by duplication?

MR. CAMERON: I mean if each province had its own department of geological surveys, and so on, there would be a duplication of work, I believe, a duplication of a lot of the surveys, not actually in the field work, there would be no duplication in that, of course, but in the matter of the making of the maps there would be a duplication, a duplication in the fundamental control, things that can be done better by one that is really connected internationally than could be done by provincial organization.

COMMISSIONER MacKAY: You think it would mean a much larger staff?

MR. CAMERON: All over, a much larger staff, yes.

BY MR. STEWART:

Q. Is there in your view any system of coordination as between the Dominion and the province that will bring about economy or efficiency in administration? A. Yes, a close coordination, a consultation of the work, yes. As I outline briefly in this memorandum, I suggest a controlling committee, item 3 on page 7;

"A Mineral Resources Committee composed of Representatives of the Department of Mines and Resources, Ottawa and Executive Heads of the corresponding Departments of the Province of Nova Scotia should plan, guide and control mineral resources investigation in the Province."

THE CHAIRMAN: Is there no coordination at the present time?

MR. CAMERON: Yes, very considerably, sir. As a matter of fact, this brief has been submitted to Ottawa. I was up there last week and spent considerable time, and they will go just as far as they can in carrying out any programme that we suggest. Now, the order in which the work is done, the time in which the work is done, are of course the urgent problems. I would like to point out here that the first recommendation in this proposal is as follows:

"The Dominion Department of Mines and Resources should be financed to permit enlargement of its services to the Province of Nova Scotia."

The second recommendation is:

"The Dominion Department of Mines and Resources should increase establishment of the Branch Office in Nova Scotia by appointment of at least one Resident Geologist and Mining Engineer."

. In the light of my discussion with the department at Ottawa I would like to withdraw that submission from the Brief at this time. They point out that such a step would disperse their efforts rather than concentrate them, and that a resident geologist dealing only with Nova Scotia problems would not have the advantage of the broader picture of consultation with the workers from elsewhere, and I think it would be better, - I agree with them, - that it would be preferable to have consultations but not

necessarily a permanent resident representative here.

BY MR. STEWART:

Q. And your suggestion as to the consultation is embodied in the third suggestion? A. Yes.

Q. I notice that you also have a recommendation that the Dominion Department of Mines and Resources should be financed to permit enlargement of its services to Nova Scotia. What have you in mind? A. Well, I would like to see, for example, at least three geological parties in this province every summer; I would like to see a scientific programme of investigation carried out. As it is now, a programme is laid down for one year and if a financial situation develops it may have to be cancelled, there is no continuity of programme.

Q. Have you made any estimate as to what that would cost?

A. No, I am afraid I have not. It would be roughly in the order of \$5,000 a party, I would say.

Q. And your suggestion is, there should be three? A. I should think so. We could use three. We have one now which has carried on very satisfactorily on the coal resources, but there is another on the general geological work that is needed, and the third one could be utilized.

Q. Your fourth recommendation is that the personnel of the provincial universities be used to the maximum extent possible? A. Yes.

Q. Do you wish to elaborate on that? A. Yes. As a matter of fact, that is done in so far as a geological survey of Canada can do so today. They are limited, of course, more by financial reasons than anything else to the amount of work they do.

Q. In that connection, universities as a rule carry only two years in that course? A. They receive it at the technical college, - their technical degree there.

Q. Your fifth suggestion as to remapping of the topography

and geology in Nova Scotia, you suggest it should be carried out by the committee to the scale of one inch to the mile? A. As a finished map, as a broad line of demarkation, the surveys by the federal authorities should be a complete map on that scale; anything in greater detail than that, unless for certain specific purposes, should be left to the province.

Q. I suppose such maps would be useful to the Dominion for other purposes than mining? A. The fundamental use, of course, is for military purposes to begin with.

Q. Of your five specific recommendations, two of them have been eliminated? A. Yes.

Q. And the others have all been discussed with the Department of Mines and Resources at Ottawa? A. Yes, and have met with their wholehearted approval insofar as they could meet them from the financial standpoint.

Q. Is it your opinion that the acceptance of point number three will bring about the maximum cooperation? A. I think so, yes.

MR. STEWART: I think this memorandum should be filed as Exhibit No. 146.

EXHIBIT No. 146: Memorandum re
Dominion-provincial
Relations in Mineral
Resources Development.

COMMISSIONER MacKAY: What other functions besides the geological surveys does the Dominion Department of Mines provide for the province?

MR. CAMERON: They do the geological surveys, that is the fundamental control, and they do the secondary control, the tying in of geographic points to make intermediate station.

COMMISSIONER MacKAY: Do they do anything in the way of assay stations?

MR. CAMERON: They have no station here for that purpose. We might send samples, either bulk samples or

small samples to Ottawa for assaying, but they are so crowded with work it takes time, and usually when an assay or a test is wanted you want it relatively quickly.

COMMISSIONER MacKAY: Do most of the provinces have their own assaying services?

MR. CAMERON: I think perhaps that is right, yes. We have, of course, assaying service here in the technical college and it is available to the local people. They can either send samples to the technical college or send samples to Ottawa.

COMMISSIONER MacKAY: Again, you think that the present system of both the Dominion and the province operating within the general geological field is desirable. Now, could you expand your ideas to some extent as to where the division of function should be made?

MR. CAMERON: I think it is desirable in that the Dominion would lay down the fundamental geology, coordinate it with the rest of Canada, and when the certain specific problems do arrive, a detailed study of a mineral occurrence can be made, and to assist the original development.

COMMISSIONER MacKAY: That is to say, the provincial field you feel should be the field of exploitation of mineral resources, is that it?

MR. CAMERON: Yes, you could use that word. I would say the detail investigation, assistance in exploiting it, to prove the lateral and vertical extent of an ore body, to help do that.

COMMISSIONER MacKAY: You feel it should be concentrated on the practical side.

MR. CAMERON: It should be concentrated on the practical side rather than the theoretical.

COMMISSIONER MacKAY: And the province should help, you think, develop such things as assay work to help local

industries.

MR. CAMERON: Yes, I think so. Of course, that tends to overlap private rights; I mean to say, there are people being trained to do assay work, to go into the profession of assaying, it is pretty difficult to take work that might be available to them and give it to others.

COMMISSIONER MacKAY: I simply mean between the province and the Dominion, you think the province should provide some service?

MR. CAMERON: Yes.

COMMISSIONER ANGUS: Dr. Cameron, am I right in concluding that in your opinion the proper coordination of work between the province and the Dominion would involve rather greater expenditure than at present by the Dominion?

MR. CAMERON: From the Department of Mines and Resources, I believe there should be more assistance given to them to carry on their work. They are ready to do it.

COMMISSIONER ANGUS: Greater expenditure to be justified by better service.

MR. CAMERON: It would be justified by better service given, yes.

COMMISSIONER DAFOE: The Dominion has always carried on the geological surveys?

MR. CAMERON: Yes.

COMMISSIONER DAFOE: It is a matter of convention, practically.

MR. CAMERON: I think so, yes.

COMMISSIONER DAFOE: Certain of the western provinces, certainly Manitoba, have a definite understanding with the Dominion, that it is to do the geological surveys.

MR. CAMERON: Well, it has been the understanding here that they should do the geological surveys.

COMMISSIONER MacKAY: One other question, Mr. Cameron.

Suppose a province wants a specific or detailed geological study made, does it have to get its own party together or can it make arrangements with the Dominion to do that for them, say in addition to the regular work?

MR. CAMERON: Our first step would be to ask Ottawa if they could do it. If the problem is not urgent we would probably leave it until Ottawa could do it. If it is urgent and Ottawa cannot finance it then it would be a question of arranging finances for getting some provincial party to do the work.

COMMISSIONER MacKAY: Does the province ever contribute financially to geological work done by the Department at Ottawa for the province?

MR. CAMERON: I do not think so, no.

BY MR. STEWART: Q. In regard to the . . . Mines' apprentice project, can you speak as to that? A. Partly. That comes under the Department of Labour. The operation of it comes under the Department of Mines, supervision of the operation.

Q. Who would speak to that topic? A. If you wish the engineering or the training side of it, I would.

Q. Just describe what work is being done in connection with the . . . Mines' apprentice project? A. The province in cooperation with the Youth Employment Commission, have established a training school for hard rock mine apprentices at Chester Basin, which is about fifty miles down the south shore, and there we took over a mine which had, we thought, reasonable prospects for production, and, have used it as a training school for mining.

(Page 4105 follows)

They are given a fairly practical training with sufficient teaching control to make them understand why the practical work is being done. They are started at the surface of the mine and work at all points in the mine where labour is required, that is where rough labour or semi-skilled labour is required. At the completion of the training, which we estimated at first would be twelve months, but which was reduced to about nine months, a boy graduates and is competent to go into the mining trade.

BY MR. STEWART

Q. Has it worked satisfactorily? A. Extremely satisfactorily, I believe, sir.

Q. The lads are turned out quite competent to carry on their trade? A. Quite competent to carry on their trade, and an important feature is that they have a trade behind them.

COMMISSIONER DAFOE: Are they absorbed into the trade; have they any difficulty in finding employment?

MR. CAMERON: We had hopes that with the increased training given, there would be an increase in the search for minerals in Nova Scotia.

BY MR. STEWART

Q. How many have gone through this training? A. About twenty have completed the training.

Q. And they really show the benefit of this training?

A. Yes, I might say there are really three departments interested in this technical training, the Department of Labour, the Department of Education, and the Department of Mines.

THE CHAIRMAN: Just one or two questions supplementary to those of Mr. Stewart's. How does this affect the moral of these boys?

MR. CAMERON: It is perfectly marvellous to see these young lad^s. When they are taken there, in the beginning, they have a hang-dog look; they have very little incentive. At the end of their training period, they come back full of sparkle. There is an improvement in their physical as well as their mental alertness. They are filled with ambition when they leave.

THE CHAIRMAN: How long has it been in operation?

MR. CAMERON: Approximately a year, I think it was the first of June when it was started.

THE CHAIRMAN: When you say in cooperation with the Youth Council, is that the provincial organization?

MR. CAMERON: No, this is a Dominion organization, the one recommended by the Purvis Commission.

BY MR. STEWART

Q. I see that this was a particular educational project undertaken, at the time, was there a need existing?

A. I think there was, sir, a great need. I think Dr. Sexton will give you more details on that question. There is a large number of young men in the province who have gone through public school and some, partly through highschool, who have never found any work.

Q. At the same time, the requirements of mining operation were such that there was a need for these men? A. There was a definite need for men skilled in that manner. There is also a general apprenticeship plan which Dr. Sexton will explain.

THE CHAIRMAN: Thank you for your very interesting explanation of the workings of your department.

DR. SEXTON, Director of Education for the Province of Nova Scotia, was called.

BY MR. STEWART

Q. You are Director of Technical Education for the Province of Nova Scotia? A. Yes.

Q. And as such have under your direction this mining apprenticeship project, that does come under your direction, does it not? A. No, I collaborated with the mining and labour departments in the organization of the scheme established by the department of Education.

Q. Are there any other projects beside the mining apprenticeship project which come under your supervision?

A. We have two other projects along similar lines. One is in cooperation with the Department of Labour and is an apprenticeship project in the town of North Sydney. This plan was organized at the request of the town in an attempt to do something practical towards getting some of the young men at work. The problem was to see what facilities the town offered so that we would not have to depend on any outside help. We believe that training on the job with some technical training associated with it in the related subjects would be the type of programme best suited to this particular need. There are not the same facilities existing here for young men as there are in the highschools of the other provinces, young men from sixteen upwards. We made a survey of the town and found that there were 312 young men between sixteen and twenty-five who were out of work, some of whom had had no work for three or four years. We canvassed the industries in the town to see if the different employers would take one or two extra apprentices. We were able to find places for forty-five of these young men. We then gave vocational interviews to about 150 young men out of work in order to ascertain what these young men did, what their training was, what their ambitions were, and what they were best suited to do. We placed forty-five men in jobs

without pay, but which would be teaching them a practical trade. They were apprenticed in about fifteen different trades and vocations. There were clerks, undertakers, machinists, machine woodworkers, and other trades of that nature. As part of their training, they also went to a vocational training centre for two half-days a week. At this training centre, we have experienced instructors who instruct them in related subjects. They are taught such subjects as drafting, mathematics, related sciences, commercial arithmetic, steam engineering, diesel engine operating as well as other subjects along that line. The training given them is both theoretical and practical, in what we think are the right proportions. This has been going on now for some eight months. We have had to replace three or four of these apprentices who got tired of the work or who were not adapted to it. This programme is in progress at the present time, and is considered very satisfactory.

Q. Are there any other projects? A. There is one small project in Truro. There is a textile plant there and there is always a need for skilled power-stitching machine operators. Replacement of these people is fairly rapid, so we have started a class to teach young girls who are fitted for this kind of work. The industry used to do a good deal of this training itself, but has ceased it within the last three or four years. We secured the same type of machines as those used in the industry, and we have engaged as instructress, the forelady of one of the factories. We secure the unfinished work from the factory and the girls are shown how it should be sewn. The work is then returned to the factory, and they say they expect no more spoiled work or seconds than they would have if they trained the girls themselves. This is a fairly low-grade of semi-skilled labour and we expect that the girls will be trained in one hundred

hours. We expect they will be competent to take positions in that length of time. It seems like a very short time, but it has been done before.

THE CHAIRMAN: What sort of scheme did you say this was?

DR. SEXTON: It is a scheme for the teaching of power-stitching machine operators. It is a very simple occupation, using a power sewing machine of the type which is used in the factory. These machines operate at a very high rate of speed.

BY MR. STEWART

Q. Dr. Sexton, there was a period during which the Dominion made an appropriation for technical education, was there not? A. During the year 1919 upon the recommendation of the Royal Commission which was appointed in 1911. The Dominion government, under the Technical Education Act of 1919, provided a fund of ten million dollars to be spent during the subsequent ten years in giving assistance to the provinces for technical educational projects.

Q. Does that still continue? A. It was supposed to have terminated in 1929, but some of the provinces had not spent their entire proportion of the sum which had been allocated to them. For this reason, Ottawa extended the period in which they could absorb their credit balance. In the case of Nova Scotia the payments continued until 1936. At that time, we were obliged to shoulder the responsibility for the \$45,000 or \$50,000 expenditure for that portion of technical education previously supported by the Dominion.

Q. Nova Scotia received from \$45,000 to \$50,000 a year under that scheme? A. Yes.

Q. What is your opinion of these grants for limited periods of time, Mr. Sexton? A. My opinion is, that the province, I am speaking now about Nova Scotia, could not carry out the proper development and maintenance of a programme for technical education unless a grant was received from the central authority. My opinion is also, that they should be perpetual, unless revoked by subsequent legislation. This is the policy which is adopted in every other civilized nation of which I have any information.

Q. Is it your suggestion that the Dominion should simply make these annual grants without any control over expenditure? A. Not at all, control exercised by the central authority is desirable for the proper limitation of the programme which must be followed by the provinces, in order to secure the subsidy. Then there should be an audit of the expenditure by the central authority, to see that the money has been spent for the proper purposes. There is an act, the Vocational Education Act of 1931, which provided, I think, \$750,000 a year for a period of fifteen years, but the onset of the depression and the financial stringency prevented the government from putting it into force at that time. It was held in suspense and the succeeding governments have not enacted it, as yet.

Q. Since 1936, the activities which were carried on under the Act of 1919 have been assumed by the province?

A.. I am very proud to say Nova Scotia never limited its

programme of technical education. It was maintained throughout the depression and was not curtailed.

Q. Your suggestion a moment ago was that the Dominion would indicate the specific purpose for which the allotment was to be used, would it not be proper for the province to indicate its need for the specific type of education which it required? A. I may have caused you to have some misunderstanding. It is only on broad lines and allows ample scope for the province to develop a flexible programme which suits its particular needs. This goes beyond the sphere of secondary vocational education for people over fourteen years of age. In the Act of 1919, it allowed any kind of secondary vocational educational lower than a university grade for people over nineteen, so it was quite broad.

Q. The Royal Commission of 1911, what were its recommendations, do you remember? A. Yes, I remember quite well. It recommended that some \$3,000,000 a year should be granted by the Dominion to the provinces, on the basis of population, for technical and agricultural education.

Q. This amount was to be divided on a per capita basis? A. Yes.

Q. And under this provision, what would the allotment to Nova Scotia have been? A. It would have been in the neighbourhood of \$125,000 a year.

Q. I understand, Dr. Sexton, you have prepared a memorandum on the subject of "Dominion assistance in Technical Education as applied to Nova Scotia." I think it might be as well if that were marked as Exhibit Number 147.

EXHIBIT No. 147;

Memorandum on Dominion
assistance in technical
education for Nova Scotia.

THE CHAIRMAN: There are just one or two questions which I would like to ask. You spoke of the number of unemployed young men when you mentioned this measure of training which you gave forty-five or forty-nine----

MR. SEXTON: Forty-five.

THE CHAIRMAN: What about the others?

MR. SEXTON: There was nothing that could be done for them, my Lord. The facilities which were available could absorb only the forty-five young men. We just had to leave the others as they were. It was not a complete solution, we knew we could not attempt a complete solution.

THE CHAIRMAN: Then, one other question; has organized labour been concerned about this apprenticeship system?

MR. SEXTON: As it happens, organized labour is not very strong in North Sydney. I think there would be no criticism on the part of organized labour, because it is carried out in such a way that it really protects the interests of organized labour. A similar scheme has been proposed for Glace Bay and the mayor of that town is the president of the United Mineworkers of America. He has raised no objection to the scheme.

THE CHAIRMAN: It seems a very desirable method for a partial solution of the problem, at least.

MR. STEWART: Mr. Paul, Deputy Minister of Labour is next.

MR. E. B. PAUL: Deputy Minister of Labour, was called.

BY MR. STEWART

Q. You are Deputy Minister of Labour? A. Yes.

Q. Could you describe to the Commission the relief measures which your department has taken for the relief of unemployment? A. The largest item in the handling of unemployment relief has been direct relief which has been given in conjunction with the municipal authorities. Our arrangements have been made by contracts with the municipal authorities, under which the relief costs are shared one-third by a grant in aid from the Dominion authorities, one-third, if necessary, from the province, and one-third plus administration costs by the municipal authorities. Relief varies, that is the extent to which relief is given individual families, varies in the different municipalities. It varies according to the cost of living and the standard of living in those municipalities; by that, I mean we have no set scale which applies all over the province.

Q. Is that rate set by the municipal authorities? A. Altogether, with the approval of the Minister of Labour,

Q. What basis, if any, did you have for determining whether relief was required in any specific instance?

A. Of course, in the early days, there was no basis, and many municipalities were put on the relief rolls when they should not have been. To-day, we estimate that five to eight per cent of the population of a particular municipality should be in need of assistance before provincial aid is given. This is the basis upon which we are working. The variation between five and eight per cent is caused by the financial condition of the different municipalities. We are still keeping our Poor Act in operation, under which the municipalities are responsible for this matter.

Q. Wherever it is less than five to eight per cent, you

leave it to the municipality? A. We consider it a municipal problem and we revert the municipalities to the old system whereby the municipalities bear the cost of these people.

Q. Now, has there been any use made of provincial works for the relief of unemployment? A. Oh yes, for five or six years previous to this year there has been about eight million dollars spent on wholly provincial works, that is, highways. Aside from this, there was about nineteen million dollars spent wholly by the province in works projects which were carried out because of the employment situation. This made a total expenditure of about \$26,800,000. Of this \$26,000,000, four million, three hundred thousand was from the Dominion; this was apart from any direct relief.

Q. Anything apart from public works? A. Yes, there has been about \$2,500,000 for direct unemployment relief, and about \$5,000,000 for shareable expenditures with the Dominion. Then, there was about \$19,000,000 wholly provincial and municipal.

THE CHAIRMAN: Just so we will not overlook it, Mr. Macdonald, was that nineteen million wholly raised by borrowing or has it been obtained from current revenue?

HON. MR. MACDONALD: Until the last fiscal year, that is the fiscal year ending November 30, 1937, relief of all sorts was paid by borrowing. However, for the last year it will be paid out of revenue.

BY MR. STEWART

Q. Relief work in the towns as distinct from rural municipalities, what has been the system in the towns?

A. In 1931-32, relief work, that is work projects, were shareable one-quarter by the province, one-quarter by the

Dominion and fifty per cent by the municipality. After that time and up until 1935, the shareable basis was one-third each on the labour performed, the municipality supplying the material. Since 1935, there has been very little relief work done in the towns.

Q. What has been the trend in unemployment relief in Nova Scotia during the last four years? A. That would be from 1932, sir?

Q. Yes. A. In 1932, there were 16 municipalities and the relief expenditure was roughly \$698,425.61. In 1933, that is from October 1, 1932, to September 30, 1933, there were 37 municipalities with an expenditure of \$1,935,293.12. From October 1, 1933 to September 30, 1934, there were 35 municipalities with an expenditure of \$1,627,746.43, roughly, \$1,628,000. From October 1, 1934, to November 30, 1935, there were 26 municipalities with an expenditure of \$1,375,389.06. From December 1, 1935, to November 30, 1936, there were 25 municipalities with an expenditure of \$1,060,190.25. For the period from December 1, 1936 to November 30, 1937, with seventeen municipalities, there was an expenditure of \$892,252.11. In the three years from 1934 to 1937, there was a change, as I have mentioned before, and there were practically no works projects undertaken by the province. There were special Dominion-Provincial sums expended in those years. In the year 1934-35, there was \$23,000. In the year 1935-36, there was \$182,000, while in the year 1936-37, there was \$264,000. These expenditures were made in unorganized districts where relief works had been obtained. The purpose of the expenditure was to prevent a system of direct relief being brought into force in these muni-

cipal districts.

BY MR. STEWART

Q. Mr. Paul, would you give us your opinion as to whether the administration of unemployment relief could be better handled by a Dominion or provincial authority?

A. I am very much of the opinion that neither should directly handle the unemployment relief. A municipal body is the proper body to handle unemployment relief. Perhaps I had better explain myself on that point. I am taking into consideration that this is a temporary problem. If it were a permanent problem, I should say, the Dominion would be the proper authority to handle it. However, since we regard unemployment relief, as we have it to-day, as a temporary measure, then you must have some place to go when you are through with the Dominion-provincial grants. This being the case, you must keep your municipal organization intact, and to do that you must have municipal responsibility and administration. Of course, this should be under supervision.

COMMISSIONER MacKAY: Are there any other considerations, Mr. Paul, when you say municipalities should control the distribution of relief?

MR. PAUL: No, except that if you have a provincial or federal relief administrative body, the tendency would be to standardize relief. There would be a tendency towards turning it over to welfare authorities who would make the expenditure of the public monies. By keeping it in the hands of the municipalities the varying standards of living and habits of living are taken into consideration in the different municipalities. You have no fixed interest tending to keep the relief expenditure

at a certain standard.

COMMISSIONER MacKAY: The interest would be to keep them down.

MR. PAUL: Yes, to get rid of them.

THE CHAIRMAN: Have you found in the handling of relief administration as you have had it handled by the municipalities, that it is being carried out satisfactorily, or have you had some difficulty?

MR. PAUL: During the early history of relief payments there was a lack of responsibility on the part of the municipalities as to the money they distributed. However, as payments came due on their own sinking funds and their borrowings became a real thing, this tendency disappeared. I think, to-day, the municipalities regard any expenditure, for relief very seriously. We have appointed inspectors, ex-officio members of the council, who supervise the relief expenditure. They do not take part in the decision as to the amount of money which shall be spent or in what manner it shall be distributed, but they do sit in on the discussions and if they note any indication towards excess, they refuse to approve of it. This prevents extravagance before it can really gain a foothold. It is for these reasons that I believe the municipal body is the proper body for handling the relief money.

THE CHAIRMAN: Your experience bears out in some respects the experience of other places, that a body which has no responsibility in the raising of money, but only responsibility for spending it, cannot give the same measure of supervision or economy as those bodies which raise the money as well as spend it.

MR. PAUL: Oh yes.

BY MR. STEWART

Q. Mr. Paul, I would like to have your opinion as to whether there is any tendency, in the giving of relief, towards making the recipient unemployable? A. In the older ago brackets, definitely, yes, but I do not think it has that effect upon the younger men.

THE CHAIRMAN: We were informed, I think it was, while we were in Saskatchewan, although I am not sure; one of the mayors in Saskatchewan told us that such was not his experience. The same view which you have expressed was expressed at that time by the Deputy Minister of Labour in Saskatchewan. The mayor suggested that if he got men started on real work, not the moving of earth from one side of the road to the other simply to give employment, but real constructive work, that they would soon revert to their old form.

MR. PAUL: Yes, that is true of younger men.

THE CHAIRMAN: No, this was among men from forty-five upwards. Everyone expressed the opinion that it did not seriously impair the employability of the younger men. The Deputy Minister of Labour for Saskatchewan suggested that after a man had reached forty or fifty he did become unemployable by reason of unemployment. The mayor of one municipality in Saskatchewan said that this was not his experience. He said that wherever these men were given real work, work of real value, that in no time they had their old vigour and enthusiasm.

MR. PAUL: We find here, that a large proportion of the men over forty are a permanent relief problem.

THE CHAIRMAN: That, of course, might spring from two sources. It might spring from the fact that institutions

to-day are not nearly so willing to employ a man after he has reached forty as they are a younger man. The chance of employment is substantially less for the man over forty than it is for the man of twenty. I presume that would be your experience, would it not?

MR. PAUL: I suppose because a larger proportion of the heads of families on relief are in the unskilled labour market, and I suppose that would apply.

THE CHAIRMAN: That may be one reason, but the other reason may be that they are not employable. So long as you have a surplus on the labour market, is it not natural that employers will seek men in the younger age brackets rather than older men?

MR. PAUL: I do not consider a man over forty years is too old for unskilled labour. However, I find, in my personal contacts with men over forty, that they resent being asked what they have done to secure a position. You can say to a young man, "Go to the employment office and register," "What are you trying to do to get work?" The younger man does not resent this, but if you cast any doubt upon the older man's sincerity in his search for work, he resents it, and he apparently does not have an answer. He has not tried in the same way that the young man has. I suppose an older man would be discouraged sooner than a young person.

BY MR. STEWART

Q. If the situation developed where there was work for such men and they were told if they did not take the work, they could not be continued on the unemployment relief rolls, what would happen then? A. I think he would take the work. Of course, you cannot take all the men from forty to sixty and put them in one class.

Q. I would think not. A. Some men are older at forty

than others are at sixty. It is rather hard to put the whole group in one class.

COMMISSIONER DAFOE: Mr. Paul, the suggestion has been put forward in many quarters, that while unemployment is a municipal responsibility up to a certain point, when that point is passed it becomes so general as to be a national factor. It is suggested that it should then be taken over by the Dominion authorities. If that policy should be adopted, if the relief problem should pass from being a municipal problem to a Dominion problem, would you think it would be a still better course to make the municipality administer the relief under the supervision of the Dominion or would it be necessary for the Dominion to have its own staff?

MR. PAUL: No, I do not think it would be a good policy to permit any body to administer a fund unless it was responsible for the raising of that fund by its own taxation. I think in the case which you suggest, regional boards to administer relief would be needed. I also believe if wages are to be administered they should be administered by a regional board, a board which would take into consideration local conditions and standards of living.

COMMISSIONER ANGUS: Have any of your municipalities been in such a financial condition that they had to obtain a loan or a grant in order to carry on the burden of relief?

MR. PAUL: Yes, in the County of Cape Breton. It was more the inability to control expenditures than financial stress. We entered into an agreement with Cape Breton whereby we paid a certain sum, nearly the total relief bill, and it was administered by a joint

board. Unfortunately, it had been in the hands of the municipal council, so we made provision to get control of the administration.

COMMISSIONER ANGUS: Did you find the costs reduced much under that arrangement?

MR. PAUL: Yes, we greatly reduced the cost.

COMMISSIONER ANGUS: Was that by lowering the scale which was paid or reducing the number on relief?

MR. PAUL: It was by a direct application of the regulations, and it was helped to some extent by an industrial revival. I would say it was a combination of the two.

COMMISSIONER MacKAY: You determined the need of a municipality, and as I recall it, you say one-third was paid by the province, "if necessary." What do you mean, "if necessary?"

MR. PAUL: We have received a grant in aid from the Dominion authorities since 1934. We give the municipality one-third from that source. Then the municipality pays one-third and the balance is paid by the province unless there is sufficient Dominion money to pay a certain proportion.

COMMISSIONER DAFOE: Does a municipality raise its one-third by taxation?

MR. PAUL: Some borrow and some are paying out of current revenue. Halifax, Mr. Chairman, is practically paying out of current revenue.

COMMISSIONER DAFOE: From whom do they borrow?

MR. PAUL: They are borrowing in the open market, from 1933 to 1934 they borrowed from the province.

COMMISSIONER DAFOE: That would mean that the province would go and borrow it from Ottawa.

MR. PAUL: No, in 1934 about three-quarters of the municipal borrowing from the province had been taken up by the municipality. The province never borrowed any of it from Ottawa.

COMMISSIONER DAFOE: The municipalities' one-third was financed either by the municipality or by borrowing in the open market, they did not go to Ottawa?

MR. PAUL: No. I might say I have here the figures giving the amounts paid in direct relief, including administration, public works, and highways expenditure from September 26, 1930 to November 30, 1936. This is for direct relief; the province contributed \$1,985,358. The federal government paid \$2,736,689. The municipalities paid \$2,175,770.

COMMISSIONER SIROIS: Have any of your municipalities defaulted in their payment?

MR. PAUL: No, sir.

COMMISSIONER ANGUS: What has been the maximum percentage on relief in well administered municipalities? You spoke of from five to nine per cent as the point at which the province began its help.

MR. PAUL: Sometimes relief has gone as high as twelve per cent of the population. In the city of Halifax, at present, it is down very close to from seven to eight per cent.

COMMISSIONER ANGUS: You had no more than twelve per cent of the population in any one municipality on relief?

MR. PAUL: Oh yes, at one time, though that was a temporary burden.

COMMISSIONER ANGUS: I am asking this because I think some of the answers we have had elsewhere have been from places where the proportion on relief was higher.

MR. PAUL: At one time the City of Sydney must have had fifty per cent of its population in receipt of relief. This came about during the period one of the steel plants was shut down. In the colliery districts we have also had a very high percentage on relief at various times, almost a total population sometimes. At present we have about 7,000 heads of families dependent upon relief in this province.

THE CHAIRMAN: Mr. Macdonald, this is just a little out of order, but it is right in point, would we be right in assuming that this province did not enjoy as high a degree of prosperity as did the central and western provinces and that it has not suffered as severely during the depression as have the central and western provinces?

HON. MR. MACDONALD: I should think that would be a correct statement. We did not go as high and we have not fallen so low.

THE CHAIRMAN: The scripture quotation, "Give me neither poverty nor riches," might be apt.

BY MR. STEWART

Q. Is it your opinion that the federal relief policy at the present time is best suited for operation in Nova Scotia? A. No.

Q. You might just enlarge a little upon that point.

A. The federal relief policy of the present time seems to take into consideration only those in receipt of material aid, and this does not give a true picture of the need in Nova Scotia. It does not take into consideration the districts which are unorganized, and which are

not being helped directly, but are being helped indirectly by the construction of highways, by the bonusing of fish and other measures.

Q. You are stating it is not quite flexible enough?

A. It does not take all the factors of the situation into consideration. It is only open to those in receipt of actual assistance. I feel that there is far greater need in some parts of Nova Scotia than in many parts of Canada. These people in the unorganized districts are dependent upon their neighbours or the general public for their relief. There is a need for relief in the western part of Nova Scotia and this includes the fishing districts, which industry is probably one of the most depressed in Nova Scotia.

COMMISSIONER MacKAY: It penalizes the provinces which helps itself, then?

MR. PAUL: I might say that Nova Scotia has received only two percent of the unemployment relief paid in Canada, while the population is only four and a half per cent. This shows that, on a per capita basis, this province is penalized. I suppose Prince Edward Island would demonstrate that point more fully than Nova Scotia because it received less. The production capacity of Nova Scotia, per capita, is a good deal below that of the Dominion of Canada as a whole. Therefore, our standard of living must be a good deal below the average of Canada.

(Page 4125 follows)

BY MR. STEWART:

Q. Mr. Paul, the highway program has contributed largely to the amelioration of conditions in districts of Nova Scotia? A. Yes. It does not appear on the surface, that is you cannot say that the highway work relieved a certain number of people on employment in Halifax, but in the relief, especially among the class who are employed in highway work, they are a shifting class, they work in the lumber woods and they shift around, and any relief given to unskilled labour in Nova Scotia helps in the general relief situation because it relieves the pressure in urban districts, where relief is mostly prevalent.

Q. And there has been cooperation between the highways department and your department? A. Yes, very definitely.

Q. To bring out the highways expenditure where it was most needed? A. Yes.

Q. Can you give us any idea as to the extent to which that program has been speeded ahead where there was unemployment and retarded where there was not? A. The Premier, I think, could answer that better than myself but it is part of the policy of the government to undertake this works program as a relief measure, although it was not included in the relief work with Ottawa, that is, to its fullest extent. I might cite now one instance of cooperation.

Q. Yes? A. In the town of Amherst which is one of our hardest problems, - in fact Amherst and Halifax today is about the only problem we have, - and in the town of Amherst last June the Department of Labour entered into a contract with the town of Amherst for the construction of streets within the town to the extent of about \$52,000. The Department of Highways cooperated by entering into a contract for the approaches to the town of Amherst to about the same amount. We conducted the two operations

together under one supervision, that of the Department of Highways. The town of course contributed one third to the Department of Labour's contract and one half to the Department of Highways' contract, under different arrangements. We employed 270 heads of families who were on the relief roll at that time. For three and a half months we had no relief in the town of Amherst, and on the resumption of relief, after giving those men three and a half months of work, our relief expenditures were cut from about \$8000 a month down to \$1500 in the first full month of operation. That is a sample of the cooperation between the two departments. I might say that that is the most effective way of cleaning relief rolls that you can possibly get.

MR.STEWART: That is all I have to ask Mr.Paul.

THE CHAIRMAN: Thank you, Mr.Paul.

MR. ERNEST H. BLOIS, Director of Welfare Work,
Department of Health was called:

BY MR.STEWART: Mr.Blois, you are in charge of the welfare work of the Department of Health in the Province of Nova Scotia? A. Yes.

Q. You might describe the welfare work which comes under your jurisdiction? A. We have what we call the Child Welfare which embraces the Children's Aid Societies, Children's Homes, the Reform Institutions, Juvenile Courts, work of that type. Under that heading we also have a training school for mentally defective children. We also have a mothers' allowance branch where we pay mothers' allowances to widows with dependent children. That is one of the largest spending departments of the government, involving an expenditure of about \$400,000 a year. We also cover the old age pensions, which is practically the same throughout Canada. That covers our field.

Q. Is there any overlapping administration of old age

pensions as between the Dominion and the province?

A. Not involving any considerable sum of money, the only overlapping would be in the matter of auditing.

Q. In the matter of the Dominion expense of auditing?

A. Yes. There is no overlapping which would involve the expenditure of any very large sum of money.

Q. Is there any other overlapping in that department of public welfare? A. No, because the Federal Government does not maintain similar departments. They have no similar department to child's welfare, mothers' allowance, and so on.

Q. In the administration of Old Age Pensions it has been suggested that the whole of the Old Age Pensions problem should be taken over by the Dominion Government. Have you any view as to whether the administration should be Dominion or provincial? A. I would think that would be a question of policy for the government. I do not think I am in a position to answer that question.

Q. From the point of view of economy, what would you have to say, or would you care to answer that? A. My own opinion is that we are administering it now as economically as it could be done. The Dominion has never suggested any way in which it could be more economically administered. I do not think there would be any improvement in that respect, but I am of the opinion it would cost more if the Dominion looked after it.

Q. Is there any overlapping as between the Dominion and the province in any of the other branches of the social services that are being administered by your department?

A. None.

Q. None in the Child Welfare work and none in mothers' allowance? A. No.

Q. In the administration of the Mothers' Allowances

Act would you care to give your opinion as to whether the Dominion or the province would administer that more economically? A. It is only my opinion, I cannot, of course, speak for the policy of the government, but I think it would be practically impossible for the Dominion government to administer mothers' allowances satisfactorily. It is a social service measure pure and simple. It is a child welfare measure as a matter of fact. And I think it can be much better administered by the local people.

Q. In the child welfare work there was a portion of that originally done under the supervision of the Dominion, was there not? A. No, not to my knowledge except in the field of medicine. At one time there was a department at Ottawa in the health department that did a certain amount of child welfare but only so far as it applied to public health, and I think that has been handed over largely to the Canadian Council of Child Welfare.

Q. So that does not exist any longer, so far as Nova Scotia is concerned? A. No.

THE CHAIRMAN: Do you look upon that as an improvement or otherwise, Mr. Blois?

MR. BLOIS: That is, the handing over.

THE CHAIRMAN: The change, yes.

MR. BLOIS: I think it has not been an improvement. I think the Dominion Government should have maintained a bureau along the lines of the original intention, which was the setting up of a bureau which would give the provinces and the private agencies throughout Canada expert advice and assistance. I happened to be a member of the Commission which investigated that in 1912 and reported to the Dominion Government, and that was our recommendation.

MR. STEWART: That is all the questions I have to ask Mr. Blois.

COMMISSIONER DAFOE: I judge that you think Mothers' Allowances ought to remain a purely provincial welfare operation?

MR.BLOIS: I do.

COMMISSIONER DAFOE: The money being raised in the province and spent in the province?

MR.BLOIS: The money being raised in some way. How it is to be raised I am not prepared to say.

COMMISSIONER DAFOE: The suggestion has been made elsewhere that the Dominion should supply the money. In that case, the administration would probably have to be entrusted to the authority that pays the money?

MR.BLOIS: I regard it purely as a provincial service, the same as education or highways or anything else, and it should come out of the revenue of the province. I do not see why it should be handed over to the Dominion any more than education or highways or hospitals or any other service now administered by the province.

COMMISSIONER DAFOE: So it should be a provincial service?

MR.BLOIS: Yes.

BY MR.STEWART:

Q. Could you give me the expenditures on account of mothers' allowances? A. Approximately \$400,000. It will be slightly over that this year. Last year it was about \$400,000.

Q. And on old age pensions, just approximately?

A. About \$650,000.

Q. That is Nova Scotia's share? A. Yes. That is not absolutely accurate but it is within a few dollars.

Q. The qualifications for the receipt of mothers' allowances are somewhat stricter in Nova Scotia than in some other jurisdictions? A. It is limited to a smaller group. We pay only to widows with two or more children, and only to

widows under certain conditions. We do not take in a deserted wife or where the husband might be in a penitentiary or disabled or for some other reason unable to support his family.

- COMMISSIONER ANGUS: Do you consider old age pensions should eventually be put on a contributory basis?

MR.BLOIS: I do.

COMMISSIONER DAFOE: As a Dominion-wide matter?

MR.BLOIS: Yes, if it is on a contributory basis I say it should be dominion.

THE CHAIRMAN: It has been suggested to us that the present system of old age pensions is not sound, but that a contributory system, to which everyone employed would contribute and from which everyone on attaining a certain age would receive the benefit of assistance, would be preferable to the present system. Have you considered that?

MR.BLOIS: Yes, that is my own private opinion.

THE CHAIRMAN: Thank you, Mr.Blois.

DR. PETER S. CAMPBELL, chief health officer, was called:
BY MR.STEWART:

Q. Dr.Campbell, you are the Deputy Minister of the Department of Welfare? A. Chief Health Officer of the Department of Public Health.

Q.As between the Province of Nova Scotia and the Dominion is there any overlapping service in health matters?

A. No, I would say not at the present time as far as the province of Nova Scotia is concerned.

Q. Would you indicate the dividing line between the work carried on by the Dominion Department and your department here? A. There are certain public health problems in Canada which are common to all the provinces, and in a general way it may be said that these are being carried on by the federal government. Others are of local or regional

interest carried on by the provincial department. The national government has certain legitimate duties, and among them principally are as follows:

1. The prevention of the entry of diseases into Canada from without.
2. The establishment and maintenance of a national laboratory.
3. The inspection and medical attention of immigrants and seamen.
4. The sanitation of navigable waters and common carriers.
5. The administration of the Food & Drugs Act, the Patent and Proprietary Medicine Act, and The Leprosy Act.
6. The medical care of persons who served in His Majesty's Forces during the World War and having physical disabilities as a result of such service.

We feel that another logical federal obligation should be that of providing positive information and guidance, both of which are essential to the advancement of the Public Health, and we think that the leadership of this nature need not interfere with the autonomy of the provinces.

Now, all the other activities, that is, those not assumed by the federal government, are of provincial concern.

1. The provinces have power to make certain health laws as well as regulations for carrying out the provisions of those laws.
2. The customary administrative obligations of provincial health bodies are the inter-municipal and province-wide control of infectious diseases.
3. The advancement of maternal, infant and school hygiene.
4. The collection and tabulation of Vital Statistics.
5. The local control of sanitation.
6. The general supervision of municipal health activities.
7. The education of the people in health matters.
8. And the promotion of certain social and welfare measures.

I have here a sheet which shows in diagrammatic fashion the present organization of the Nova Scotia Department of Health.

Q. Would you have a copy of that filed with the Commission?

A. Yes.

EXHIBIT No. 148 : Diagram showing present organization of Nova Scotia Department of Health.

DR. CAMPBELL: On a perusal of that sheet it will be seen that provision has been made for three hospitals, namely: The Victoria General Hospital, an institution of 250 beds, to which a cancer clinic is attached; the Nova Scotia Hospital, a mental institution of 500 beds and the Nova Scotia Sanatorium, for tuberculosis, with a bed capacity of 375 to 400. Then there are sections for tuberculosis control and other communicable diseases, public health laboratories, public health nursing and child hygiene, venereal diseases, sanitary engineering and vital statistics.

At the extreme right of this chart the welfare divisions are listed, which you heard about from Mr. Blois. Referring to the hospitals I think it is safe to say that the Nova Scotia Government pays a greater share of maintenance than at least several of the other provinces on a per capita basis. I believe more than some five others. At least this was so when the figures were last studied a few years ago. In addition to absorbing all deficits in connection with the operation of the three provincial hospitals, a per diem allowance is paid to twenty-four other hospitals scattered throughout the province. This per diem amounted to about \$126,000 last year and it is gradually increasing.

THE CHAIRMAN: What is the per diem allowance, Dr.

Campbell?

DR.CAMPBELL: It is thirty cents per patient per day for the first five thousand hospital days in the case of any one hospital in any one year. After that it drops to twenty cents per patient per day for the remaining hospital days. But there is this difference between that and the act that obtains in a good many of the other provinces: That per diem is paid to every patient who enters, whether he pays anything on his own account or not. That is they receive it for private patients as well as for patients in the public wards. In most of the other provinces the per diem is paid only to indigents, or to non-paying patients. Hence it is that a heavier burden is thrown on the Nova Scotia government in the maintenance of the general hospitals than in most of the other provinces. There are exceptions.

THE CHAIRMAN: I cannot speak generally but in some of the other provinces the per diem allowance for indigent patients is substantially more than thirty cents.

DR.CAMPBELL: Yes, but it is only for indigents and indigents are defined. Take the province of Quebec for example, the allowance is for indigents only and indigents are defined. One third of the maintenance cost of the indigent is paid by the province, one third by the municipality and one third by the hospital itself. And in addition to that the government may fix the cost. The government may say the cost of such and such a hospital is so many dollars per month or per day, and the result of that is their proportion on a population basis is very considerably below ours.

THE CHAIRMAN: Quebec is a little exceptional, is it not, in that the hospitals are nearly all privately owned?

DR.CAMPBELL: Well, take Ontario, the same thing

applies. Ontario gives a per diem to non-paying patients only, and on a per capita basis we are paying a greater proportion than the province of Ontario. And the same applies to the other Maritimes. In New Brunswick and Prince Edward Island there are lump sum grants. The total amounts paid are very considerably below ours. The same also applies in the Province of Manitoba. Saskatchewan and Alberta pay a per diem to all.

THE CHAIRMAN: Are your hospitals generally speaking municipally owned or are some of them privately owned?

DR. CAMPBELL: There are only two of the general hospitals in the province that are municipally owned. The ownership is vested in a board, they were built by public subscription and various means. These all qualify under certain conditions for government aid.

BY MR. STEWART:

Q. Is there any special problem that arises in medical work among the Indians, Dr. Campbell? A. Yes, the difficulty of procuring treatment, particularly institutional care, for Indians, for instance, suffering from tuberculosis. Some years ago the Indians were committed to federal institutions, a large number of them, but of recent years it has been impossible to get Dominion assistance at all with very few exceptions. When we find a case in Nova Scotia we report it to the department and ask them to provide the funds for institutionalization we are always met with the reply there are no funds for the purpose. The result is that many of them are left uncared for and should be removed from their homes to institutions.

Q. Has this any effect on the provincial problem of combatting tuberculosis? A. No doubt it has some, the contact of our white people with the Indians. It is true it may be said

they are placed on reserves, but as you know, especially during the summer months, they wander all over the province. The Indian by nature is a roamer and roams throughout the province.

THE CHAIRMAN: How many Indians have you in the province, doctor?

DR.CAMPBELL: A little more than two thousand, - about two thousand and ninety.

THE CHAIRMAN: What does the Dominion spend for medical care for Indians in the province?

DR.CAMPBELL: I cannot tell you that, sir. I believe there is a disposition on the part of the federal authority now to provide more money for the tubercular Indians.

MR.STEWART: Will you explain the work that is being done in checking tuberculosis and dealing with it in this province?

DR.CAMPBELL: In connection with that, as I already mentioned, the province owns and operates a sanatorium of 375 to 400 beds. It absorbs all deficits on account of that maintenance, which means that for every person that enters the institution the government pays more than two-thirds of the cost and the other fraction, which is less than one-third, has to be paid by the patient or some person on his behalf. Where he is unable to pay that fraction statutory authority has been given the mayor and clerk or the warden and clerk of those municipalities to pay aid on his account for three months, with a renewal at the end of three months if considered desirable or necessary. Again, in tuberculosis control I would like to say that the Nova Scotia government pays more on account of each individual sufferer institutionalized than any other province in the Dominion of Canada. It has been said, for example, that the mid-western provinces, particularly

Saskatchewan, it has been said repeatedly, and it has been reported in the press in connection with the affairs of this Commission, that the province of Saskatchewan pays more. It is not correct. It is absolutely incorrect. The Province of Saskatchewan pays less than does the Province of Nova Scotia. In the Province of Saskatchewan the government pays one dollar per patient per day for all who are institutionalized. The balance of the cost is taken care of by municipalities and it is assessed on them sixty per cent on the rural and forty per cent on the urban; and that balance amounts to, roughly, two-thirds of the cost. So that in the province of Saskatchewan the Government is paying approximately one third of the cost, whereas in this province our government is paying more than two-thirds of the cost. Those are the facts.

THE CHAIRMAN: What is the difference in the cost? What do you pay here per day for institutional work?

DR. CAMPBELL: You mean the cost?

THE CHAIRMAN: What is the province's contribution? Is it on a per diem basis?

DR. CAMPBELL: By absorbing all deficit in connection with its own institution, the one which is owned and operated by the government, the one which I was speaking about. Then there are units in connection with four of the general hospitals in the province for tuberculosis. There are specially maintained and existing units connected with these hospitals by means of a tunnel, having all the existing service and making use of certain of the overhead. The government pays one dollar per diem per bed independent of the number of days and independent of whether the patient pays anything on his own behalf, and that amounts to two-thirds or more than two-thirds of the cost, because naturally the cost occasioned to these institutions is lower

than in a special institution set up for the purpose. I cannot give the cost exactly but it is probably in the vicinity of \$1.30 per day of which the government pays \$1.00.

MR.STEWART: Have you any comparative statistics on this subject, Dr.Campbell, that you could file with the Commission?

DR.CAMPBELL: I have the rates that have prevailed in Nova Scotia for a number of years. And there again, comparison is often made, with a discerning finger pointed at Nova Scotia on account of its high tuberculosis incidence and mortality rate as contrasted with certain other provinces, and that again without telling the whole story. Some of these other provinces never had a high rate. As recently as 1910 our mortality rate was 230 per 100,000, and about that time the rate in Saskatchewan, for example, was in the vicinity of thirty-six. That province never had a high rate, but we had this tremendously high rate to cope with and some success has attended our endeavors. As I said, the rate was 230 in 1910, now it is 90, and we have had a greater drop than some of the other provinces and almost as great as any of them.

COMMISSIONER DAFOE: Did you see the brief submitted to the Commission by the Tuberculosis Association at Ottawa?

DR.CAMPBELL: No, I did not see that.

COMMISSIONER DAFOE: As I remember, they suggested Dominion aid to the provinces which were struggling with a high mortality rate from tuberculosis.

DR.CAMPBELL: Yes. The total cost has been a very heavy burden, there is not any doubt about it, to the province of Nova Scotia. It has worked as hard on it as funds would permit and as much money as it was possible to get has been applied to this problem. The total expenditure

for anti-tuberculosis work in the province of Nova Scotia for the fiscal year ending 1936 amounted to \$445,875, which is a very tidy sum for a province with a population a little better than half a million people. That is pretty dangerously near one dollar per capita. That is a tremendously heavy burden to carry and certainly relief from that is needed, and especially in view of the fact that our services in this connection must be extended, financial assistance is urgently needed.

On a study of these figures, when they are broken down, and when you remove all private sources of payment, you will find that our government contributes from sixty-nine to seventy-three per cent of that total. I mean when you have removed from the total first what is given by private patients who paid their way or at least paid something on their behalf. That is a very heavy burden and the reason the burden is so heavy is, as I said before, that we started with this tremendously high rate, and it still is high and must be reduced. It must be at least cut in two within the next few years.

THE CHAIRMAN: Working at it as you are now, do you expect to attain that result within the next few years?

DR. CAMPBELL: Well, it just depends what you mean by a period of a few years. In a period of ten years. In a chronic disease like tuberculosis a year or two is nothing. And there is another thing, when you are bringing down a very high rate, when you get down to about eighty or ninety you have to use more money and work much harder to reduce it. When the rate is in the vicinity of three hundred you can bring it to two hundred much easier than you can bring it to one hundred. It requires more money and organization and care generally.

THE CHAIRMAN: Quite, that is undoubtedly true.

MR. STEWART: I have no further questions to ask Dr. Campbell.

THE CHAIRMAN: There are two or three questions I would like to ask Dr.Campbell or Dr.Davis because they have been raised elsewhere. Has the question of health insurance been considered at all in this province, and if so, have you considered it should be a dominion or a provincial obligation and service?

DR. CAMPBELL: In answer to that, I may say it has never as yet been given serious study in the province of Nova Scotia. The matter was placed before the medical society of Nova Scotia on one or two occasions and once by the executive officers of the Canadian Medical Association,- Dr.Routley is there to correct me if I am wrong in that, - and the matter was given brief discussion, I suppose for the reason that it had not become up to that time at least a live problem in Nova Scotia. If it did come about of course we have certain views on the form it should take.

THE CHAIRMAN: Would you kindly tell us what those views are, because it has been presented to us in some provinces and it is certainly going to be presented to us in British Columbia where we go shortly, and if you have views we would be glad to have them.

DR. CAMPBELL: Well, we think it should be Dominion.

THE CHAIRMAN: On a contributory basis?

DR.CAMPBELL: Yes.

THE CHAIRMAN: Self-supporting, actuarially sound.

DR.CAMPBELL: Yes, otherwise it will not survive the periods of stress.

COMMISSIONER ANGUS: When you say self-supporting, do you mean the people deriving the benefit should themselves contribute substantially the whole cost?

DR.CAMPBELL: Yes.

HON. DR.DAVIS: Unless it could be made to apply to our rural sections, the fishermen and farmers.

COMMISSIONER ANGUS: Have you considered the people often called indigent? Do you think they should be treated under the same type of scheme or treated differently?

DR.CAMPBELL: That would be something that would have to be given very complete study. I would not like to answer that question. There are no doubt difficulties. There are some who think that they should be considered apart from health insurance organization. There are others who think they should be taken in, and an assessment sufficiently heavy on those who can pay. There are those again who say that the government should take care of the indigents. So I would not answer the question so far as Nova Scotia is concerned.

COMMISSIONER ANGUS: Let me follow it up to this extent: If you did not place on those who can pay that extra cost of the indigent, up to what sort of income would you be insuring people? I mean would you be insuring everybody or up to \$1800 a year or \$2000 a year?

DR.CAMPBELL: I presume it would be made compulsory within certain salary limits and optional after that. It would surely go to \$1800, I would think, or more than \$1800 is my view.

HON. MR.DAVIS: I think in any case we would be willing to hand the details over to the Dominion in the organization of such a scheme.

COMMISSIONER MacKAY: Do you think it possible for the Dominion to administer such a scheme if you allow the detail of local administration?

DR.CAMPBELL: Of course that is something new, it is very difficult to answer that with any certainty. It is something entirely new, it has not been tried out at all, no machinery has been set up. We can only be guided by conditions in other countries and where conditions are

entirely different, and that is something that would require intense study.

COMMISSIONER MacKAY: There is a local scheme, is there not, in Cape Breton?

DR.CAMPBELL: That is quite a different thing. It is easily handled in connection with the industrial sections, mining communities. Under that scheme each employee payw forty cents per week medical fees and that is collected by way of deduction from the payroll in the company's office. They also pay twenty-five cents per week hospital. That is likewise made as a deduction from the payroll. That money is collected from the office and cheques issued to the doctors and the hospital each month.

COMMISSIONER MacKAY: That is entirely a private arrangement, the province has nothing to do with it?

MR. CAMPBELL: The province has nothing to do with health insurance per se, no.

COMMISSIONER MacKAY: Nor the municipality?

DR.CAMPBELL: No.

HON. DR.DAVIS: The miner pays the full 100%, industry does not contribute.

COMMISSIONER MacKAY: It is not supervised at all by the province?

DR.CAMPBELL: No. They have some permissive legislation, I think, that is all, through the Mines Act. But each man selects his doctor, indicates the doctor that he wants to prescribe, and they draft an agreement, the doctor is obligated to treat this man and his family for all ordinary things, venereal diseases and obstetrics excepted. The doctor is permitted to charge a small extra fee for confinement cases of \$5.00, and the treatment of venereal diseases is not included. And the hospital which is twenty-five cents per week entitles the man and his family to public

ward space in the hospital for a stated period and 50% deduction if he wants a private room, and 50% deduction on charges such as X-ray and special forms of treatment. But there are few difficulties there, if any, in the financing and collecting.

COMMISSIONER ANGUS: Dr. Campbell, when you said it should be a Dominion scheme, have you considered this possibility, that one province might be ready for health insurance and even eager for it at the time when other provinces were not at all interested, were not very eager..

DR. CAMPBELL: Yes.

COMMISSIONER ANGUS: Would you carry your suggestion so far, that one province should not go ahead on its own but would have to wait until the Dominion is convinced?

DR. CAMPBELL: No.

THE CHAIRMAN: Just one further question. Perhaps this should be directed to Mr. Davis or Mr. Macdonald. It has been suggested that with a view to economy there should be not only an avoidance of duplication of work, but, while it has not been suggested in any brief, it has been suggested in some quarters that the province might take over the whole problem of health and the Dominion step out of that field. What would be the view of the Government here on that proposal?

HON. DR. DAVIS: There are certain problems that the province could not very well take over. It could not take over the quarantine from outside very well.

THE CHAIRMAN: No, that of course could not be done.

HON. MR. DAVIS: There is really no conflict at present that I can see. There is a good dividing line.

THE CHAIRMAN: Does the Dominion Department of Health render such a real service to the people of this province

that you think it should be continued unimpaired?

HON. DR.DAVIS: Yes, I think it should be sustained. I think such things as research should be a Dominion matter. They can do it. Each province cannot go into the research work, the Dominion could. They could give expert advice to the provinces.

THE CHAIRMAN: Thank you, Dr.Davis. We will now adjourn, and I think we should adjourn today until 2:45. If necessary we can sit a quarter of an hour longer this afternoon. Have you any further questions to ask Dr. Campbell?

MR.STEWART: No, my Lord.

THE CHAIRMAN: Thank you, Dr.Campbell.

AFTERNOON SESSION.2:45 P.M., COMMISSION RESUMED:

HON. MR. J. A. McDONALD, Minister of Agriculture and Marketing, was called.

BY MR. STEWART:

Q. Mr. McDonald, would you indicate the division between federal and provincial authority, as you conceive it, as it exists today in the matter of agriculture? A. Your Lordship, Commissioners, and Mr. Stewart, the provincial Department of Agriculture has to do mainly with the industry of agriculture, but also with certain market phases of fisheries and forestry industries as well. Mr. Walsh, the Director of Marketing, is here, and he will deal with the phases pertaining to the marketing of fisheries and forestry, as well as marketing in agriculture. We have also dealt somewhat with the educational work in fisheries, especially pertaining to educational work in the lobster fishing and also to some extent in the oyster fishing. It has been generally recognized in this province, as I think in some other provinces of Canada, that the general division of authority in agricultural matters as between the federal and provincial authorities, is ^{that} the federal authorities dealing with inspection and regulation, including the grading of products for market, whereas provincial authority takes up matters of education and promotion, including inspection and organization among the producers. The present setup by both the federal and provincial department under the above headings in the province of Nova Scotia is that the federal have a full complement of staff necessary for the carrying out of these regulations in connection with the production and marketing of all agricultural products, including inspection and grading of these products. This includes representatives of the Dominion.

Department of Agriculture from the Live Stock Branch, the Fruit and Vegetable Branch, the Dairy and Storage Branch, the Health of Animals Branch, and the Seed Branch, and also the maintenance of two Experimental Farms, and a number of stations for research and experimentation. Whereas, the province maintains an agricultural college, fully staffed, which serves all three Maritime Provinces. This includes a principal, and an instructor in all branches of agriculture. These instructors are specialists, who head the various divisions of field work within the Department of Agriculture including chemistry and soils, animal husbandry, field husbandry, dairying, poultry, entomology, horticulture, apiculture, and also home economics and rural home improvement, exhibitions under the Superintendent of Exhibitions.

Q. Just in that connection, Mr. McDonald, the Agricultural College is maintained by the three provinces. What is the basis of the maintenance? A. Mr. Stewart, it is maintained by the province of Nova Scotia. Of course, in that respect, we feel that we have rendered a real service to the other Maritime Provinces.

Q. It is maintained purely at the expense of Nova Scotia? A. Yes.

Q. I understood from the way that it was stated that it served all three provinces? A. It serves all three provinces, but we are paying the cost of its maintenance.

Q. Just before commencing with the extension service there is one question I would like to ask you. Under the federal authority no mention is made of grants for agricultural exhibitions. I think they do take part in that, do they not? A. Yes.

Q. They make grants for prize monéys? A. They make grants for prize moneys for the fairs, - the Maritime and Halifax. They have a Provincial Fair at Halifax.

THE CHAIRMAN: When you are through with that and before you pass on to the extension service, I would like to ask a question.

BY MR. STEWART:

Q. The province also contributes prize moneys for these fairs? A. Yes.

Q. Is there any principle of distribution between the Dominion and the province? A. The province has been contributing \$3000 per year to the Maritime; the Dominion - I am not sure, but I think it is in the neighbourhood of \$2000 or \$2500. The Provincial Fair runs about \$4000 if I remember correctly.

Q. The Dominion? A. Yes.

Q. And the province? A. The province pays, of course, the major cost there. There is a heavy overhead.

Q. Are there any moneys earmarked for any special prizes or is it left to the discretion of those managing the fair?

A. They are earmarked. We have to come up to certain regulations, meet certain conditions, and the superintendent of the exhibition has to pass certain reports, and it is on those reports that prize money is rewarded by the Dominion.

THE CHAIRMAN: What is the relation, if any, between your agricultural college and the Experimental Farms carried on by the Dominion?

HON. MR. McDONALD: There is no relation, Your Lordship.

THE CHAIRMAN: Is there any duplication of work?

HON. MR. McDONALD: There is some duplication of work, Your Lordship, because of the fact that it is necessary to carry on some work at our farm, at our college farm at Truro, where the Agricultural College is situated; this is necessary for our class instructional work, which is carried on at the same time at the Experimental Farm

at Lepreau.

THE CHAIRMAN: One would think that the Agricultural College is the natural place to carry on an Experimental Farm.

HON. MR. MCDONALD: Yes, quite so.

THE CHAIRMAN: That you would have the Experimental Farm in connection with the college.

HON. MR. MCDONALD: Yes, that would have been a very happy solution.

THE CHAIRMAN: Is there any reason why the province should not conduct any Experimental Farms or demonstration stations that are required. Why should the Dominion enter into that particular field?

HON. MR. MCDONALD: Well, in matters of experimental work, these experimental stations are carrying on research work, and in order to make these stations and the information which they gather of the utmost value, it is necessary, I think, to have the material from one station - the results, compared with that from another station, in order for them to be of the greatest value; that is, to check one against the other.

THE CHAIRMAN: But what practical difficulty, if any, would there be in the Dominion simply having a local unit attached to your agricultural college, or your demonstration farm, for experimental work? From the standpoint of whether there can be a saving in government expense as stated in the order in council, in which it was pointed out that there is unnecessary expenditure of public money by reason of duplication of work. We are trying to see where that duplication exists, if it does exist, and how it can be avoided.

HON. MR. MCDONALD: There are two experimental farms in this province, one in the valley situated at Kentville

is largely, or should be, a fruit research station . I can see where that should be still carried on solely as a Dominion Experimental station in fruit research work. The other one at Loproau, could we enlarge our plant at Truro so that we could carry that on as a joint experimental station with the farm, I think would be a very happy solution of the affair, but our plant at Truro would have to be enlarged to carry on and do the work in as large a way as they are attempting at Loproau at the present time.

THE CHAIRMAN: Take these experimental farms, , do students attend them? They have the staff to carry on the work of experiments; how do the public of Nova Scotia get the benefit of that?

HON. MR. MCDONALD: BY the printed report and by picnics. A large number of farmers gathering there for a picnic in the summertime; by the odd farmer driving in and seeking information; and by the officers of the Experimental Farm going out and lecturing at farmers' gatherings, and in such ways as that, Your Lordship.

THE CHAIRMAN: When you speak of the demonstration stations, how many are there of those?

MR. STEWART: Illustration stations, Your Lordship.

HON. MR. MCDONALD: Mr. Walsh thinks there are about fifteen to eighteen illustration stations throughout the province.

THE CHAIRMAN: What is done at those stations?

HON. MR. MCDONALD: They are operated by the Dominion Department of Agriculture, and they illustrate the growing of the various agricultural products as they should be grown in order to get the greatest profit; that is, they illustrate the proper tillage of soil, proper fertilizing, the proper seed to be used.

THE CHAIRMAN: Do they use for these illustration stations the farm of some resident farmer?

HON. MR. MCDONALD: Yes, they generally pick some resident farmer that is, some farmer who will follow their directions, - who they think will follow their directions.

THE CHAIRMAN: You have no idea how much these cost, I suppose?

HON. MR. MCDONALD: I really do not know your Lordship, how much they cost.

THE CHAIRMAN: It is something we will have to obtain at Ottawa. Thank you. You are going on with your examination, Mr. Stewart.

BY MR. STEWART:

Q. I was going to ask now about the extension service maintained by the province? A. We carry on an extension service here, we have the director of extension, who directs his work from Truro, the agricultural college being situated at Truro, and Truro as well being about in the centre portion of the province, makes it an ideal centre from which a large part of our work is directed. Then we have our assistant director of extension, who spends much of his time out around the agricultural representatives. We endeavour to have one agricultural representative in each agricultural district or county, and these agricultural representatives are the direct contact between our staff and the farmers. They endeavour to organize the farmers and to help carry out the educational work, as Mr. Walsh, will show later in connection with the marketing work. We endeavour to organize the farmers and carry on the educational work so that the Dominion Department of Agriculture then will be able to carry on their regulation and inspection service.

THE CHAIRMAN: Isn't that work very much of the same

character as that carried on by the illustration stations?

HON. MR. McDONALD: The illustration stations might be very well used in connection with that work, Your Lordship, and we have endeavoured to get our people to use the illustration stations more and more in connection with the work. I think it has been said in the province perhaps we do not use the illustration stations or that there has not been in the past the cooperation that there should be, but we are endeavouring now to have that cooperation. I think I may say, and I think you will find that this is generally thought to be true today, that there is a coordination of the activities and a cooperation among the workers of the provincial stations probably to a greater extent or as great an extent as will be found in any place in Canada today, and it is helping very materially in doing effective work here.

THE CHAIRMAN: I am not thinking Nova Scotia is any different from, and certainly no worse than other provinces. I am just trying to see what is the basis upon which the order in council, recites that the cost of government is increased by overlapping and duplicating of service, and agriculture has been mentioned as one of the services.

HON. MR. McDONALD: Your Lordship, might I say in reply to that that there has been perhaps in the past some overlapping in the province of Nova Scotia but we have gone into that and we have cut that almost to the minimum here so that there is really very little overlapping in the province of Nova Scotia, and what overlapping there is left here can be almost entirely wiped out by further correspondence and by taking the matter up with the Minister at Ottawa.

BY MR. STEWART:

Q. Your district officers are also playing an important part in the formation of boys and girls farm clubs, are

they not? A. Yes, they organized a large ^{number} of these boys and girls clubs throughout the province and we consider it is very important work as they are the farmers and farmers' wives of tomorrow. It is, of course, impossible to know just how much good we are doing in this way, but we feel it is a very important part of our agricultural promotion work.

Q. You find a great deal of interest taken in these clubs, do you not? A. Increasingly so, yes.

Q. Now, your marketing service? A. That is under Mr. Walsh.

MR. F.W. WALSH, Director of Marketing, was called.

BY MR. STEWART:

Q. Mr. Walsh, would you describe briefly the work that is now being carried on by the Marketing Branch of the Nova Scotia Department of Agriculture? A. As Mr. McDonald explained, the Department of Agriculture is made up of the Agricultural College, Extension Branch, and the Markets Branch. Two of those branches, the college and extension branch, confine their activities to agricultural matters. The market branch also includes some natural products, the marketing and sale of the products, some types of fish and forest products. The staff is made up of a director, two assistants in agriculture, one in fisheries, and one in forest products. These men are specialists in their particular line, and as explained by Mr. McDonald, the county agents, or the agricultural agents, or the agricultural representatives, whichever you want to call them, - they are called differently in every province, are the organizers for a county, and the specialists work through these organizers. First of all, with reference to marketing, we believe that there are three essentials; there must be effective

marketing; there must be organization. That is the work of the province; the Dominion has not accepted that responsibility in the past, only in a few commodities in certain areas, and they have withdrawn that type of work. The second important thing in marketing is grading, and grading must be a central responsibility in view of the fact that agricultural products and all natural products of Nova Scotia and Canada are placed on the export market, and while only a small proportion may move into the export market nevertheless the whole grading system laid down for local consumption is based on what the export market requires. But as the government cannot set up a grading system which would be beneficial and helpful to the grading of the majority of the natural products of this country, therefore that is a federal responsibility, and has been so accepted in agriculture but not in fish and not in lumber.

The third point is, centralized selling, and in this the province takes a leading part. The fourth point is the supplying of market intelligence. Market intelligence service throughout Canada on agriculture has been supplied by the federal Department of Agriculture, one of the finest marketing services of any country that I know of, and that information is available to the public, to the buyer, to the seller, to the producer, and the consumer. The province, however, takes that and passes it over and sees that individuals secure that market intelligence, - the individuals that should receive it. For instance, the federal department gets out a daily egg report, a daily butter report, and we set up the organization to see that every individual who should have that information within the province, gets it. We even go as far, during certain seasons of the year, to see that they get a daily report on strawberries, blueberries, on swordfish, or lobster,

or whatever the commodity may be, to those who need it.

THE CHAIRMAN: You mean those who are producing the commodity, the actual producer.

MR. WALSH: Yes, that is right, the man who is buying the commodities will get the information. We want the people who are selling them to have the same information as the man who is buying, otherwise there cannot be intelligent trading.

BY. MR. STEWART:

Q. The federal work in this province is largely confined to grading and inspection as far as marketing is concerned?

A. Entirely.

Q. In your opinion, is there any overlapping between the federal and local jurisdictions, or activities?

A. I would say no, sir.

Q. That is so far as marketing is concerned?

A. So far as marketing is concerned there is no overlapping. I have heard a great deal about overlapping, we all have, but we have in this province set up a provincial advisory committee of the agricultural services, and we have sub-committees, one on dairy cattle, and one on poultry, and so on, and the sub-committees are made up of the officers of the federal-provincial departments. Those men agree on the programme for the following year, and for five years, and each has his own part to play, and through this organization, through the provincial committee of which our Minister is the chairman, we have been able to eliminate any overlapping that there ever was.

Q. In your opinion, could the entire work of marketing that is now done by the provincial and federal departments be more efficiently or economically done by one department?

A. To be done by one department it would naturally have to be done by a federal department. If however, there

is at present no overlapping it is quite possible that it could be just as effectively carried on under the present arrangement.

Q. And just as economically? A. Just as economically. The federal, or central organization, which has all the facts and figures in front of them, set up the general policy, but they are not primarily interested in carrying that policy out to the back districts in a certain province, and therefore we feel that that is our activity, to keep our end of the load up. I think that would be my answer to that.

Q. You feel the provincial department is probably closer in touch with the needs of the provincial communities than a Dominion department would be? A. I believe that exactly, that the provincial department is a little closer to the needs of the people, but that the federal department is a little nearer to the bigger problem, - the export market requirements.

THE CHAIRMAN: You said that this cooperation in grading and so on did not apply to lumber or to fish.

MR. WALSH: Yes, I said the federal department have accepted grading as a federal responsibility for agricultural products, that you will find is true, but they have not accepted it for fish and for lumber, and we have no grading standards for fish and lumber in Canada. British Columbia has their own standard for lumber, but the rest of Canada has not.

THE CHAIRMAN: Is that a disadvantage to you in marketing your lumber?

MR. WALSH: There cannot be marketing without grading, - successful marketing.

THE CHAIRMAN: But you have provincial grading?

MR. WALSH: No, we have not, sir.

THE CHAIRMAN: You have no grading of fish either?

MR. WALSH: No sir. If I might just briefly enlarge on that, take either commodity that you care to, - take lumber, if you wish; the lumber of eastern Canada, which includes Nova Scotia, New Brunswick, Quebec, and Ontario, especially the first three, is spruce lumber which is made up of spruce and fir. Our markets are common markets, the United Kingdom and United States. When the lumber arrives there it is not Nova Scotia lumber, it is eastern Canada lumber, and therefore if Nova Scotia set up a grade standard for lumber it would not be the grade standard of New Brunswick or Quebec, it would only help to confuse the issue. Sweden, Finland, Russia, have grading standards and we cannot expect to compete in overseas markets unless we have, and that has probably been one of the greatest weaknesses in connection with our lumber industry and also in the fish industry; you could give the same examples for fish.

THE CHAIRMAN: Have you taken this up with the Dominion authorities?

MR. WALSH: We have diplomatically suggested in regard to fish that that should be their responsibility.

THE CHAIRMAN: And they diplomatically^{have}/not accepted it yet.

MR. WALSH: That is right, sir.

COMMISSIONER Mac KAY: Would the difficulty be overcome, Mr. Walsh, if the subject of grading were exclusively within the field of the Dominion.

MR. WALSH: Well, I think it would be better. That is my own personal opinion.

COMMISSIONER MacKAY: At the present time the Dominion has taken over that field without any express authority to do so?

MR. WALSH: Well, if you can follow this line of

reasoning, that the most important thing in grading is organization, it doesn't make any difference whether it is private or cooperative organization, and that the big job before you can establish grading standards is to set up organization, now when the federal department takes over grading as they have in agriculture, they take over the grading, but that leaves the job of organization within each province to the province to conduct, and grading standards, without organization, where those standards can be put into effect is of no avail, neither is organization without grading of any avail. I don't know whether that has made it clear or not.

BY MR. STEWART:

Q. British Columbia has their own standards for lumber?

A. Yes.

Q. Is it the only province? A. It is the only province that has compulsory grading standard for lumber.

Q. British Columbia is the largest lumber exporting province of Canada? A. Yes.

Q. Would the grading standards of British Columbia be, in your opinion, or should they be made applicable to the eastern lumber trade? A. No, it is entirely different lumber, they are two distinct kinds of lumber. You will say, well then, how can the federal department have jurisdiction over two different standards. We have for apples two standards, we have the British Columbia standard and we have the Ontario, Quebec, and Maritime standard, and it is all under federal jurisdiction.

Q. And it works satisfactorily? A. It works satisfactorily today. Without federal grading standards it is possible for anyone, Nova Scotia or any other province, to ship out of this country very very inferior products, - I am

talking about lumber and fish, - and when these products arrive in foreign countries they are known as Canadian products, and the reputation of our products are thereby decreased. There is another illustration of that; Mr. Saunders has just handed me a note to say that pickled fish is graded. Pickled fish is graded from the producer to the exporter; the exporter is not under any grade when exporting and can ship anything he wants to, and he generally follows the practice of rubbing the government stamp off the barrel. Q. I suppose the buyer grades them for the purpose of fixing the price? A. For his own purpose, but not for the trade of the country.

Q. Your principal suggestion as to coordination of service or coordination of activity is that the Dominion should take on the task of grading and inspecting in the realm of forestry and fishing? A. Yes, and as they are doing now in agriculture, which they are doing very well.

Q. What activity is the federal Department of Fisheries carrying on in Nova Scotia today? A. The federal department is carrying on the putting into effect of regulations to deal with times of fishing, water privileges, and matters of that kind. The biological board, which is under the federal Department of Fisheries, and recently the name has been changed to the fisheries research board, I believe, carry on research dealing with fisheries. They are doing very effective work. In our opinion those two matters, - first regulations deal^{ing} with interprovincial and international matters, we feel that must continue to be a responsibility of the federal department. In research and experimentation the general findings of a station in British Columbia might be somewhat similar to a station in Gaspé or in Halifax, and because the problem calls for special type of men and results should be coordinated we believe that too should be a federal responsibility.

Q. The increase in provincial activities should be along what line? A. Along the line of education, The

Agricultural Instruction Act of 1911 and 1921, which was later extended about three years, gave a grant to each province to allow them to establish agricultural schools and agricultural colleges. We believe that education is a responsibility of the province; there is a dire need of education in fishery matters in this province. At one time the biological board carried on certain work of that kind, and their appropriations were lowered and they had to discontinue it. We believe that there is a real need of some educational work to the fishermen, which could be put into effect by the establishing of a provincial fishery school. This work would be rounded up by the operation of other courses of work in the rural communities, right to the people. It would require probably \$30,000. or \$40,000. a year to establish and operate such a school, and it is just merely suggested that the plan which is followed in agriculture, whereby the provinces take over the responsibility of educational agriculture, might be one that would apply in this case, for fisheries.

Q. I think that covers the questions I had to ask, Mr. Walsh, but I wish to ask Mr. McDonald to summarize the recommendations of his department.

THE CHAIRMAN: That is all right then. I have before me the recommendations.

Mr. A. H. Whitman arose from among the spectators and addressed the commission as follows:

Mr. Chairman, as one of the extensive exporters of pickled fish in the Maritime provinces, I take exception to what has been said. In the history of my company we have never rubbed off any markings; I have never known any firm in Halifax to rub off any markings. There is an inspection, and the goods are all stamped and graded by the Dominion Government.

THE CHAIRMAN: We cannot go into detailed matters of this kind. We are hearing the representation from the government in reference to the position here.

(Page 4160 follows)

THE CHAIRMAN: Mr. McDonald, will you just summarize your recommendations.

MR. McDONALD: At the beginning of the year 1934, the federal department brought into being services which were known as dairy herd improvement services. The cost of this work was in the neighbourhood of \$14,000 a year. This work was considered to be of such prime importance that the provincial Department of Agriculture thought it advisable to take it over. We have been continuing that work and it has been costing practically the same, about \$14,000 a year. In consideration of the fact that we had been doing this service, it is only fair that we should be compensated for this work. We would also like to stress the importance of the work which has been mentioned here, and which we think is most desirable, that is the educational work which is being done among the fishermen of this province.

THE CHAIRMAN: Take your first recommendation, Mr. McDonald. You suggest that the federal government should reimburse you for the services which you perform in dairy herd improvement work. Isn't this a type of work which falls within the jurisdiction of the provincial department of agriculture? If you are to maintain such a department, wouldn't one of its prime purposes be to see to the improvement of stock?

HON. MR. McDONALD: Our work, as has been explained here, is more the educational type of work. As this work had been done by the Federal department, we rather took it for granted that this was a good reason for the work being continued.

THE CHAIRMAN: I see where the reverse might apply, that you compensate the Dominion for having carried it on for so long. This is purely a provincial matter. You

see, there should be some definite line of demarkation between Dominion and provincial fields if unnecessary public expenditure is to be avoided. This is not because of anything which has been said here or because of anything in connection with this government, I am merely speaking generally. Some people have the idea if the money is paid by the federal department, it does not cost anybody anything. Others have the idea that if the provincial government pays, it does not cost anybody anything, but it all has to come out of the pockets of the people. Then, it is fundamental, if taxation is to be kept to the minimum that there should be no unnecessary duplication of work. In order to avoid unnecessary duplication where two departments are engaged in the same field, there should be a very clear, definite agreement as to the boundary line. I am sure you agree with that general principle.

HON. MR. McDONALD: Yes, as a matter of fact, your Lordship, we are finding it difficult to collect our taxes. There are a large number of farmers who are finding it increasingly difficult to make any payments on taxes. In the large industrial centres, they have more money with which to pay their taxes. The fishermen and some of the other people in our province have been finding it more difficult than any other class of people in this province, and if there is anything we can do to improve their lot, I am sure both the Dominion and provinces would be only too glad to do it. We would be glad to carry on this educational work among the fishermen, if some assistance can be given by the federal department, the same as is given under the Agricultural Act.

We are also, I think, against giving more practical instructional work in the schools throughout the province of Nova Scotia, I mean by that that our teachers in the rural districts of the province should be more thoroughly trained in matters pertaining to agriculture, lumbering, and fishing than they have been in the past. With this in view, we are considering giving agricultural short courses during the summer for our teachers. If this were done, the rural school teachers would have the right agricultural viewpoint and the ninety or ninety-one scholars who were being instructed by that teacher would be able to get instruction in the different matters pertaining to their life work.

THE CHAIRMAN: Of course, nothing can be more important than education in the work in which they are going to be engaged.

HON. MR. McDONALD: However, the cost of this work will be a considerable amount of money.

THE CHAIRMAN: Would this be in addition to the amount which was mentioned in the Brief?

HON. MR. McDONALD: The one hundred thousand dollars?

THE CHAIRMAN: Yes, does that include your suggestion?

HON. MR. McDONALD: Yes, it does. I think that I have pretty well covered the situation.

MR. STEWART: Two memoranda have been prepared, one is a general Brief. We will mark Mr. McDonald's as Exhibit Number 149, and we will mark the Brief from which Mr. Walsh spoke as Exhibit Number 150.

EXHIBIT No. 149:	Memoranda submitted by Minister of Agriculture and Marketing for the Province of Nova Scotia.
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EXHIBIT No. 150:	Brief of Director of Marketing.
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MR. STEWART: Before going on with the Honourable Attorney-General, I think it might be well if Mr. Campbell would speak on the subject of gasoline taxation. This is one of the forms of taxation which is not yet been explained.

E. S. CAMPBELL: Registrar of Motor Vehicles, was called.

BY MR. STEWART

Q. You are connected with the Department of Highways?

A. Yes.

Q. What is your special department? A. Registrar of Motor Vehicles

Q. Does your department deal with the operation of the gasoline tax? A. Yes.

Q. Would you explain the incidence of that tax and the method of collecting employed? A. It is collected for the government by the wholesalers of gasoline.

Q. Are the wholesalers appointed agents for that purpose? A. They are.

Q. The wholesalers are appointed agents of the government to collect the tax ? A. Yes.

Q. And they are compensated for so doing? A. They are.

Q. Have you the terms of the Act before you under which the tax is imposed? A. No, I have not, sir.

Q. As a matter of fact, what is the transaction which is taxed by the Nova Scotia legislature? A. I do not quite understand the question. Oh, the sale of one gallon of gasoline.

Q. This is taxed in the hands of the wholesaler, is it? A. The wholesaler pays the tax direct to us.

THE CHAIRMAN: Is he bound to set the amount out in the invoice?

MR. CAMPBELL: They make a monthly return to the department showing the total galloneage sold throughout the province.

THE CHAIRMAN: I am speaking of the sale to the retailer, does the invoice to the retailer, show the tax as a separate item?

MR. CAMPBELL: Yes.

THE CHAIRMAN: What does the retailer do?

MR. CAMPBELL: Collects the tax from the individual purchaser.

THE CHAIRMAN: That is getting into indirect taxation, isn't it?

MR. CAMPBELL: That is a question, sir, which I would not like to answer.

BY MR. STEWART

Q. It would be unusual for the retailer to specify in his bill the tax as distinct from the price he quotes per gallon? A. No, the invoices frequently carry the tax as separate from the price.

Q. That is not a matter that the department interferes with at all? A. It comes to us when there is an application for refund of the tax made.

Q. What are the circumstances under which refunds are given? A. Well, at the present time, since the first of June, refunds are made to all persons purchasing gasoline for other purposes except highway construction or the running of motor vehicles on the public highway. Previous to that, fishermen, the various prospectors for metals and recognized ferrys had the tax refunded to them.

Q. So far as the department is concerned the tax is the same irrespective of whether the wholesaler is a firm in Nova Scotia or a firm which comes in from outside?

A. Quite so; the tax is exactly the same in every case.

THE CHAIRMAN: Mr. Macdonald, there were one or two questions arising out of the Brief, which you submitted to us on Friday, which I would like to ask. The first is this, what is the aggregate amount of the grants and subsidies contained in this last chapter of the Brief which you say the province needs in order to provide satisfactory services in the different branches enumerated?

HON. MR. MACDONALD: What is the aggregate?

THE CHAIRMAN: Yes, I figured it out as a million and a half.

HON. MR. MACDONALD: Yes, about a million and a half without consideration of our recommendation with regard to the sinking fund.

THE CHAIRMAN: The grants and subsidies would amount to about a million and a half?

HON. MR. MACDONALD: Yes, in total.

THE CHAIRMAN: Well then, what amounts--you suggested the Dominion should take over old age pensions to assist the province, I think, what was the amount of that approximately?

HON. MR. MACDONALD: Last year it was \$650,000 in round figures.

THE CHAIRMAN: And Mother's allowances?

HON. MR. MACDONALD: Mothers' allowances, last year totalled approximately \$376,000.

THE CHAIRMAN: Well, adding together these amounts, there would be a total of something over two and a half millions apart from the sinking fund.

HON. MR. MACDONALD: Yes, of course we would have certain sums to give them as a set off.

THE CHAIRMAN: Yes, but I just wanted to see what the total was. I was figuring it out and I wanted to see if I arrived at the accurate figure. You suggested that the

Dominion could collect succession duties. You also said that the Dominion could collect income taxes, but this province does not collect income taxes, does it?

HON. MR. MACDONALD: No.

THE CHAIRMAN: Then, what would be the amount of your succession duties?

HON. MR. MACDONALD: It is a very small amount in a province like this. In 1936 the succession duties were \$536,000. Last year it amounted to \$606,000. I am bound to say, in all honesty, that these amounts are larger than the average. The average amount for Nova Scotia during the last twelve years would be considerably less than that. Perhaps \$300,000 would be the average for the last twelve years.

THE CHAIRMAN: Was there any other source of revenue which you suggest might be transferred to the Dominion? I do not recollect any unless that final statement concerning the Dominion collecting company taxes was intended to go in: all I want to do is get a statement and see what the figures are,

HON. MR. MACDONALD: I think the figures which you have given are about correct.

THE CHAIRMAN: In round figures, even if you allow succession duties to go in as fifteen hundred dollars, it would leave approximately \$2,000,000 additional?

HON. MR. MACDONALD: Yes.

THE CHAIRMAN: Your present subsidy is what?

HON. MR. MACDONALD: \$1, 953,000.

THE CHAIRMAN: You see, that is double your present subsidy?

HON. MR. MACDONALD: Yes.

THE CHAIRMAN: The problem which faces us, and if you can give us any help with it, we would like to have it,

is where is the money going to come from?

HON. MR. MACDONALD: This problem is one which we have considered and what we have done is to set out in the last portion of the Brief the respects in which the various functions of the government are, in our judgment deficient. We have set out the amount required to bring those services to what we consider a proper basis. You will observe, Mr. Chairman, we have not asked for any sums. We have simply thought it better to say, "Well, this is what the condition is, and we do not think we can, of our own motion, reach the position which we should attain." We would be glad to get whatever assistance may be forthcoming. I do not know what else we can say besides that.

THE CHAIRMAN: Here is the problem with which we are faced: We are specifically directed to inquire into, first, the matter of public debts of all governmental bodies. We find that the public debt of Canada has increased some \$828,000,000 from 1930 to 1936 and it will be further increased by the financial returns this year. Now, is it sound policy to further increase that public debt?

HON. MR. MACDONALD: Of course, it may be that some assistance should come to the other provinces from outside sources, not the Dominion. It might be that some of our remarks with regard to succession duties and income taxes-- it might be that those taxes should be distributed on a fairer basis. Possibly, it may^{not} be necessary to increase the Dominion burden to the full extent of the demands of all the provinces. It may be possible to affect some readjustment as between the Provinces themselves. For that reason, and other reasons, we feel it better to lay the case before the Commission and not make any specific demands. We feel we should not say that we should have

\$2,000,000 and \$2,500,000, but simply point out what our condition is and hope that justice will be done.

COMMISSIONER DAFOE: These are the minimum standards to which you refer in your Brief, the minimum standard of service which you think should be maintained?

HON. MR. MACDONALD: I would not say they were the minimum. For instance, we are carrying on an educational system in this province. I would not say that we are at the bottom of the heap so far as standards are concerned in Canada. However, I do think that to bring our educational system up to the standard necessary to give us a really effective and economical department, if I might put it that way, we need \$750,000.

COMMISSIONER DAFOE: Those are what you believe are the proper standards for the whole Dominion?

HON. MR. MACDONALD: Yes, desirable standards for this province, desirable, is the better word, I think. The same thing is true in our Department of Public Health. We say we should have about \$500,000 for public health. I would not say our public health system is hopelessly inadequate or useless; it is doing very well with the money it now has.

THE CHAIRMAN: I think you will agree with me, in this, because you know what it is to handle the finances of the province. I think you will agree that it is desirable that the Dominion public debt not only should not be increased, but if we are in a period of measurable prosperity, provision should be made for its reduction. I believe every person interested in the finances of the country would agree with that statement. It is a practical problem with which we are faced when we come to look at these financial proposals. There are one or two other questions in connection with your submissions,

if you feel you could give us some help on these, we would be very glad to have it. We are directed to investigate the financial and economic basis of Confederation, in view of the economic and social developments of the last seventy years, leaving out the legislative power question for the time being. In this examination, we must ask ourselves this question: Having regard to the increased functions of government through the social and economic developments, can the province discharge its present constitutional responsibilities from its present revenues or under its present power of taxation? This is one of the first questions which we are called upon to consider when we deliberate on these problems. I think I can guess what your answer will be, but if you feel like giving us your opinion on the matter, we will be very glad to have it.

HON. MR. MACDONALD: Our answer to that would be, no, so far as Nova Scotia is concerned, if by, "discharge", one means, as I assume the terms of the reference to mean, discharge adequately and properly.

THE CHAIRMAN: That is what I deem the terms of the reference to mean, "Discharge adequately and properly."

HON. MR. MACDONALD: We should say to that, so far as Nova Scotia is concerned, no.

THE CHAIRMAN: If the Commission answers this question, of course, it must be answered for the whole of Canada, not for one province. Are you prepared to make any suggestion as to what view should be taken of the proposal for the whole of Canada, because it is a question between the provinces and the Dominion, the provinces on one side and the Dominion on the other.

HON. MR. MACDONALD: I don't know that it is exclusively that.

THE CHAIRMAN: Well, for these purposes, I want to limit

my question to that particular phase of the matter. If you do not feel you would like to answer the question, I do not want to press for an answer.

HON. MR. MACDONALD: Well, I should say that the Dominion is carrying on the functions which were allotted to it more fully than this province is carrying on those functions allotted to it. The Dominion is in a better financial position to carry on the functions entrusted to it, than this province is. I do not know that that is the question which your Lordship wished answered?

THE CHAIRMAN: No, my question was broader than that, but if you feel any hesitency about answering it, it is all right.

HON. MR. MACDONALD: No, I would rather answer it.

THE CHAIRMAN: In our examination of the financial basis of Confederation, we have the Dominion one one hand, and the provinces on the other. Taking the provinces as a group, we have two groups. The one group is either able to discharge adequately and reasonably the functions of government, which in the interpretation of the constitution are placed upon it, from its present source of revenue or with the present allocation of the power of taxation.

HON. MR. MACDONALD: Well I do not know, Mr. Chairman, with respect, whether the question should be put in that way. I am wondering whether you are not bound to consider each individual province and say that this province is able to carry on and this one is not. I do not know whether one should lump the provinces all together and say that their source of revenue is sufficient for them to properly discharge the functions entrusted to them. I do not know that that is the exact way to put the question, although I think some phases of that ought to be considered.

As I have mentioned before, I do not think it should be a consideration as between the Dominion and the provinces or between the Dominion and province X; there may be some consideration as between the Dominion and province Y. I do not know that anyone should attempt to give an answer involving the consideration of the other nine provinces. There are a few items which seem to me to be items which are proper subjects for consideration in considering a new allocation of revenue as between provinces. There are, at the same time, other items with which a provincial officer is not familiar and I do not think I should attempt to answer that question.

THE CHAIRMAN: I can quite understand that, Mr. MacDonald. Confining it to Nova Scotia, might I follow that up with one or two other questions. You have said, so far as Nova Scotia is concerned, the answer to the first question is "No." Then, the next question which we must ask ourselves is this, how is that situation to be dealt with, by relieving the province of certain of its responsibilities or by increasing its power of taxation or increased federal grants or partly by the use of one and partly the other. I take it from the presentation you have made of your views the answer is partly one and partly the other.

HON. MR. MACDONALD: Yes.

THE CHAIRMAN: Then, in reference to some of the items, you refer to the position of education. Every one recognizes the fundamental importance of education, not only this province, but throughout the whole of Canada. It is my belief that the teaching profession is about one of the poorest paid of any profession in Canada. What I wish to ask is this; has the standard of education, in

so far as the province is concerned, fallen in recent years as compared with earlier years or has it maintained as good or better standards at the sacrifice of the teachers, and the others who are giving their labours in that department?

HON. MR. MACDONALD: I think there will always be a question as between the "good old days" and the present. My personal view is that in technical qualifications, teacher training and so on, the standard in the province to-day is as high or higher than it has ever been. It is undoubtedly higher than it was ten or fifteen years ago if one considers the number of normal-trained teachers now employed, and the number of university people engaged in teaching in our high schools. This number has increased very notably during the last ten years.

THE CHAIRMAN: That is very good.

HON. MR. MACDONALD: So I should say that with higher teacher training and educational qualifications, the teachers generally are on a much higher plane than ever in the history of the province. I do not think our educational system has suffered, despite the fact that many teachers had to go without salaries and that sort of thing. They are carrying on heroically,. I think that is true of the whole Dominion.

MR. STEWART: I have just a few questions to ask the Honourable Attorney-General.

THE CHAIRMAN: Just a moment, Professor Angus has a question.

COMMISSIONER ANGUS: On page 93 of your Brief, Dr. Innis is quoted as saying that the time has arrived for a revision of the tax structure, which will enable Canadian economy to carry its burden more efficiently. Can you give us any facts as to the sort of tax structure

which is contemplated? Does it mean some extensive change in our system of taxation.

HON. MR. MACDONALD: I am inclined to think that Dr. Innis has the tariff in mind there, he is linking that up with the tariff. It is the tariff that he has been talking about in the preceding part of that paragraph.

I think he feels if the tariff is to persist there should be some readjustment of the tax system. Having regard to the incidence of the tariff, it seems to me that that is what he has in mind.

COMMISSIONER ANGUS: What sort of adjustment?

HON. MR. MACDONALD: Well, he would say, of course, if the tariff system is to persist something more should be done for the province of Nova Scotia. He would say, you would have to either work out a scheme which would not enforce Novaa Scotia to pay its own way. If the tariff is to persist and these other matters of national policy, such as freight rates, are to persist, all of which have an injurious effect on Nova Scotia, the only alternative I see, is an increased subsidy.

COMMISSIONER ANGUS: To be raised by some sort of taxation.

HON. MR. MACDONALD: On the Dominion as a whole.

COMMISSIONER ANGUS: I am driving at the question, what sort of taxation?

HON. MR. MACDONALD: In a general way, wouldn't you say this, if it is true that it is in the public interest of Canada, as a whole, that we should have a certain amount of protection in this country, and that protection bears very heavily and hardly on certain parts of Canada, something should be done to balance that injury. The only balance left, and which I argue is not an adequate

balance would be money payments. How is that payment to be derived? Well, I should say that those parts of Canada which derive the greater benefits from such national policies should contribute something as compensation to those parts which are injuriously affected.

COMMISSIONER ANGUS: I can see that the rearrangement of the subsidy, the reduction of subsidies to the provinces you mentioned and the increased subsidy to Nova Scotia and others similarly situated, might do this, but this is a reference not to subsidy structure, but to tax structure. It is part of the terms of our reference to consider the equalities of taxation.

HON. MR. MACDONALD: One form of readjustment of the tax structure might be a more equitable distribution of the benefits from succession duties. Suppose certain parts of Canada, through the effect of national policy, benefits very generously, either through the effect of those policies or its general position, should we not say there--perhaps in the matter of succession duties and income taxes derived in those provinces--should be distributed on what we think is a more equitable basis. This would be, perhaps, what Dr. Innis had in mind.

COMMISSIONER ANGUS: Leaving the province which suffered by such a policy to find its new taxes or would you increase the rates of succession duties?

HON. MR. MACDONALD: That would be tempering the wind to the shorn lamb. They could get along, perhaps even better than they do now. If they are in a better position than we are, they could, perhaps, afford to pay more taxes. I think it is a matter worthy of consideration that the other provinces' rates are still a good deal lower than our rates. Our gasoline tax is

thirty-three per cent higher, their succession duties are lower than ours, and their corporation taxes are lower. I think it is the same in most of these matters. These people who get a good many benefits should pay a little for these benefits. They should tax their people a little more and give us ~~some of that little~~, perhaps from ~~income tax~~ or a tax on the great estates. ~~This would be a readjustment of the tax system and it might be that this~~ was what Dr. Innis had in mind.

(Page 4180 follows)

HON. J.H. MACQUARRIE, K.C. was called.

MR.STEWART: Mr.MacQuarrie, dealing with the first proposition which commences on page 18 of the brief, I understand the recommendation of the province is that the machinery of the amendment of the constitution be left for determination by agreement between the Dominion and the provinces. That is the position this government takes.

HON. MR.MacQUARRIE: Yes, Mr.Stewart, that is our position.

MR.STEWART: It is quite possible the commission may be met with more specific recommendations in other provinces as to the setting up of an immediate machinery for that purpose. Could you give us any assistance as to the views of the government of this province as to what they would consider a proper machinery?

HON. MR. MacQUARRIE: Our suggestion that it wait and be done by conference is not due to any desire to delay it or to minimize the importance of it, but what we have in mind is that if specific things are taken up first it may be possible to agree on those specific amendments and have them in operation and the country getting what benefit it can from them without waiting for the general procedure of amending the constitution to be worked out. In 1935 at the Inter-Provincial Conferences with the Dominion the general scheme that was discussed there, and I think in the main, as a general scheme was acceptable to all the provinces, was to endeavor to divide the B.N.A Act into four main parts. That is, the first part, let us say, being a part that covered matters affecting only the Dominion Parliament and the Dominion government for the internal economy of the Dominion Government; the second part being a part

that would affect the Dominion and one or more provinces, but not all of the provinces, the agreement was that the part that affected only the Dominion internal economy the power of amendment from time to time would lie in the Dominion without the necessity of consulting any of the provinces and where the matter was between the Dominion and one or two provinces the power for amendment would lie with the Dominion with the consent of the province or provinces affected. The third part was the class of subjects that affected all of the provinces of the Dominion but not considered of such vital importance to any of the provinces as to require the unanimous consent for their amendment; that the Dominion, with the consent of a certain number of the provinces, representing a certain percentage of population of the Dominion would have power to amend those sections. And the fourth part covered that class of matters that was agreed should not be changed except with the unanimous consent of all the provinces, that is the matters that were fundamental. And the work there proceeded along the line of getting rid of those sections of the B.N.A act that could be put in one or other of the four compartments without any controversy, or sections that every person was practically agreed went originally into one or other of the four compartments, and reserving the remaining few on which there might be some doubt or some discussion. That was where the matter stood when it was felt that it could not be completed because the references were then just being heard before the Supreme Court of Canada and it was generally felt they would go to the Privy Council before they were settled.

MR. STEWART: Was the conception put forward of formulating certain fundamental rights of the citizens of the country which would not be subject to amendment except

by unanimous consent of the Dominion and the provinces?

HON. MR. MacQUARRIE: No, not just in that form. It was in the form of having these things that were fundamental to a province left with the province so they could not be changed without the consent of the province. But as I understand your present question you are referring now to rights that would be left with the citizen and that could not be changed either by the federal authority or by the provincial authority?

MR. STEWART: Yes.

HON. MR. MacQUARRIE: But that, so far as I am aware, was not discussed or considered.

MR. STEWART: Whether such fundamental rights could be varied at all or not, or possibly varied by the unanimous consent of the provinces and the Dominion?

HON. MR. MacQUARRIE: It was considered that it could be varied by the unanimous consent of the provinces and the Dominion, yes, most definitely so. But I thought you had in mind rights that could not be varied by any authority.

MR. STEWART: I had both in mind, alternate.

HON. MR. MacQUARRIE: The ones that could not be varied by any authority would, I think, be contrary to the whole basis of our constitution, but the other was given a great deal of consideration, in fact all the consideration of the conferences was directed to that question.

MR. STEWART: I think the second proposition has been covered already but there are two or three things that occurred to me in connection with your third proposition. In setting up a Grants Commission was it your view that such a commission would be set up without

any regulations or yard sticks to apply, but that they would work out their own regulations and method of dealing with the problem as they got underway and practically working?

HON. MR. MacQUARRIE: I would think that the regulations and yard sticks would have to be set up at least in a general way and I, personally would think without too much rigidity. It would have to be worked out over a period of time.

MR. STEWART: I understand the Australian Grants Commission was not given any standards to work to. Was that correct, do you know?

HON. MR. MacQUARRIE: I am told they were given no standards.

MR. STEWART: They worked out their own jurisprudences?

HON. MR. MacQUARRIE: They worked out their own jurisprudences.

MR. STEWART: Do you think that possibly the relative uniformity of the Australian states in tradition and race and date of settlement might make such a grants commission more workable in that jurisdiction than say in Canada.

HON. MR. MacQUARRIE: I would say no. That was our view in giving that phase of the question. We were of the opinion that the matter could be worked out here in the same way and that those matters of race and tradition and age, while they might call for some consideration, would not in any way prevent the working of the plan.

MR. STEWART: It struck me in connection with the same point, that is raised again on page 112 of the brief, the quantum of the grants being so much greater than the provincial subsidies in Canada, that they might hardly be consistent with the position of the states as sovereign entities. What would you say as to that, Mr. MacQuarrie,

that they are so dependent on the grants from the central authority that they might practically lose their position as sovereign states?

HON. MR. MacQUARRIE: The grants are higher there, but our idea in our submission is really to follow that simply as a general plan. The result that you mention, I think, would be more apt to come up for consideration when you come to consider to what extent the provinces would transfer jurisdiction to the Dominion. But on the question of grants itself I would submit my opinion is that that would not be a necessary consequence. Perhaps I might read this extract from the report of the Australian Grants Commission:

"For ten years after 1899 three quarters of the customs duties and excise tax collected by the federal government were to go to the states in the form of grants distributed in accordance with the imported goods consumed in each state. At a conference of the states' premiers in 1909 it was proposed to change the subsidy payments to allotments made on a straight per capita basis. The Surplus Revenue Act passed by the Commonwealth Government in 1910 implemented this proposal. The amount of per capita payment was set at twenty-five shillings. This last arrangement resulted in forty to fifty per cent reduction in the amounts paid by the Commonwealth to the States."

MR. STEWART: A Commission such as you have in mind would have to scrutinize very carefully the financial affairs of the province petitioning for grants, would it not?

HON. MR. MacQUARRIE: Yes.

MR.STEWART: An audit would be expected?

HON. MR. MacQUARRIE: Yes.

MR.STEWART: And fairly frank criticism of the provincial expenditures.

HON. MR. MacQUARRIE: Absolutely.

MR.STEWART: And to a certain extent that would involve criticism of legislation on fiscal matters?

HON. MR. MacQUARRIE: Yes.

MR.STEWART: Has it been considered that a grants commission might be wielding paramount importance in the field of provincial legislation as a result of the powers given to it?

HON. MR. MacQUARRIE: I would say no, that it need not exercise that influence. That is, a province that was prepared to go before the Commission and be in a position to show that it was not extravagant, either in the services that it was attempting to give or in the manner in which those services were given, or the cost of those services, and that it was raising what revenue it reasonably could be expected to give, could be just as independent as under the present-day system.

MR.STEWART: Dealing with the fourth proposition, namely, that the Dominion should be given exclusive jurisdiction over the matter of marketing, would it equally meet your view that there be concurrent jurisdiction on that subject?

HON. MR. MacQUARRIE: Yes. If I may explain that, and I am glad that question has been asked, because last Thursday a similar question was raised by Mr. Commissioner Angus, and on part of it also by Mr. Commissioner MacKay, and our brief probably assumes, certainly does assume something that should have been set out more clearly. It was not our intention to say more than this, that is so

far as the transfer of jurisdiction is concerned, namely, that we recognized the need for a national marketing plan, and that we were willing to transfer to the Dominion the necessary authority for carrying out such a plan. It was never intended either by the Government or by the brief that that would take from the province the jurisdiction and authority to deal with matters that are purely local or provincial, although we consider it would be necessary to give to the Dominion jurisdiction over matters that might be purely local or provincial in order for the setting up and carrying out of a national marketing scheme. And when the point was raised by Mr. Commissioner MacKay as to section 95 I was thinking more there of duplicate or concurrent services rather than duplicate jurisdictions. I think in order to carry out the plan it would be necessary to have a certain measure of the field of jurisdiction that would be concurrent, but of course not necessarily concurrent or overlapping services.

MR. STEWART: Perhaps the ambiguity is really worked out if you refer to page 28, The first whole paragraph on page 28 modifies the breadth of your proposition. It occurred to me perhaps that is the answer to the problem.

HON. MR. MacQUARRIE: Yes, in part at least. And of course we were assuming, - probably assuming too much, - but nevertheless assuming that jurisdiction and control over things entirely local and which were not necessary for a National Marketing Scheme would remain in the province.

MR. STEWART: The fifth proposition is the request by the province to have assigned to it power to impose taxes in the nature of sales tax, that is indirect taxation to a greater or lesser extent. That of course would

involve the possibility of a tax being imposed by the Dominion and the provinces in respect of the same transaction, would it not?

HON. MR. MacQUARRIE: Our submission there is that it would not involve double taxation any more than the present system. There is, of course, and could be, double taxation under the present system and what our submission deals with primarily is taxes that are already being imposed by the province.

MR. STEWART: And specifically, principally the gasoline tax.

HON. MR. MacQUARRIE: Principally the gasoline tax.

MR. STEWART: Such a general power of indirect tax might involve a power to discriminate in any province as between its own products and the products of other provinces, might it not, the wide power?

- HON. MR. MacQUARRIE: It might involve that but I would think a provision could be made to prevent that from happening, and certainly it would be our view that some provision be made to prevent that from happening.

THE CHAIRMAN: Of course that was the ground on which it was defeated in the Senate, that it might be used?

HON. MR. MacQUARRIE: Yes, my Lord.

MR. STEWART: On your sixth proposition, that is, that the Dominion assume full financial responsibility for old age pensions and mothers' allowances, there are two main questions that occur to me in connection with that. Was it in your mind that the rates to be paid should be uniform throughout the country?

HON. MR. MacQUARRIE: What we had in mind was a uniform standard of living throughout the country, which might necessarily involve different rates in different

localities, even within the same province.

MR. STEWART: A second point: Is it your idea that the old age pensions and mothers' allowances be administered by the federal jurisdiction or merely that the full responsibility be assumed by the federal government?

HON. MR. MacQUARRIE: I might say that the view expressed this morning by Mr. Blois is the correct view so far as the government is concerned. Going back to last Thursday the question was put to me by his Lordship, the Chief Commissioner, as to whether, if the government paid 100% of these services, the Dominion would administer the services or control the administration. That was the substance of the question, I forget the exact wording. And my answer at that time was that if the Dominion paid 100 % of these services one would naturally expect that the Dominion would want to control the administration. But we do feel whether the Dominion controls the administration or not that the administration could better be carried out by the province, albeit under Dominion control, so far as the Dominion contributed, whether it was 100% or some lesser amount as at present.

MR. STEWART: You think there would be more efficient and economical administration in that way through the province acting as agent for the administration within its territory?

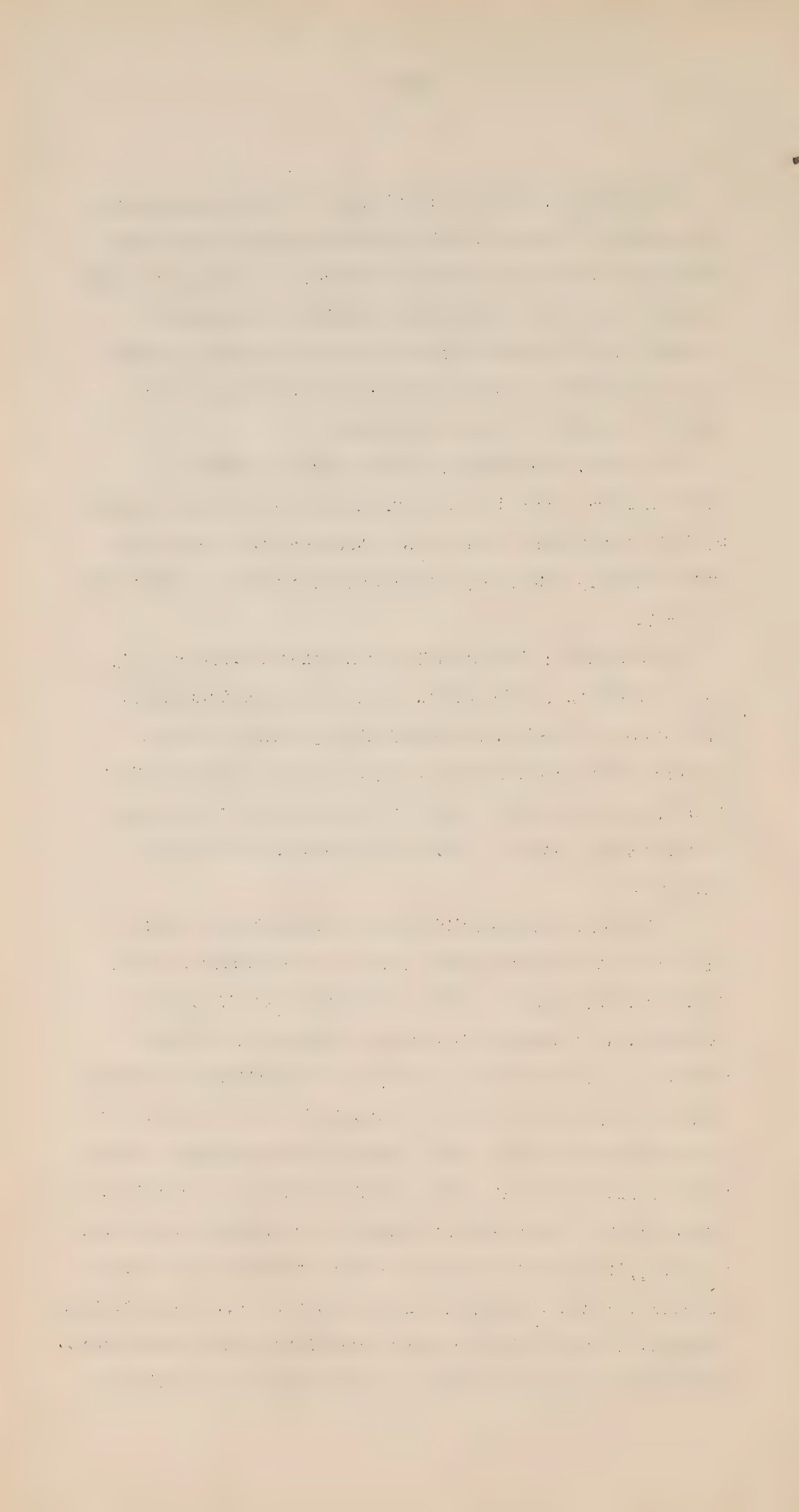
HON. MR. MacQUARRIE: Yes, we do feel that, having in mind as has been said here and no doubt said to the Commission on many other occasions, that the Government responsible for providing the money is bound to exercise control over the expenditure of that money. But we do feel the administration could best be carried out by the province in each case.

MR.STEWART: Do you think there is any fundamental difficulty or danger in the administration of old age pensions particularly if the services are being financed through taxes that are largely indirect or unfelt? In other words, people might not feel the cost or see the cost of these social services if the moneys are raised by unfelt forms of taxation?

HON. MR. MacQUARRIE: There would, I think, be that tendency, but I do not think that is serious enough to defeat the plan. That is a tendency that could be quite readily offset by efficient operation and efficient control.

MR.STEWART: The question was asked Mr.Blois today as to whether, in his view, an old age pensions scheme should be an all-in, self-sustaining scheme, and he answered for himself personally, his own personal view. Could you express the view of the government on a point of that kind? Do not hesitate to say if you do not desire to?

HON.MR. MacQUARRIE:I do not think there is any objection to answering this, that the Government would feel that the logical result, however soon it can be attained, is a scheme that would provide an old age pension in any event for any person regardless of whether they had the ability or the foresight to provide for it, or contribute to it or not. That is those people could not be left destitute and a pension should be provided for them. On the other hand, it might be considered desirable to have, in addition to that basic taxation that would be paid to all, certainly all who needed it, an additional pension to which persons could contribute and depend upon. That is the persons who had the foresight and ability to



want more than the basic rate which would of necessity be not as large as the one that others might contribute to.

MR. STEWART: You do not concur then in the suggestion that the old age pension should be on a contributory self-sustaining basis, applicable to everyone?

HON. MR. MacQUARRIE: My own view would be that you are bound to have to deal with cases of people, that is if I understand the question rightly, people who have not contributed, who have not had the ability to contribute or the foresight. You might provide in some way for the lack of foresight but I cannot answer at the moment as to how you could provide for the lack of ability and those people would have to be cared for. As I said a moment ago, if you are going to put it on a contributory basis in all probability you would not provide as much, aside from probability at all. I suppose you certainly would not provide as much, for those who had not contributed as you would for those who had contributed.

MR. STEWART: As to your eighth proposition, your suggestion is to transfer to the Dominion jurisdiction over matters of unemployment insurance, employment service, maximum hours of labour, weekly rest and allied matters. Again you suggest that the exclusive jurisdiction should be transferred. Would not concurrent jurisdiction be satisfactory or would it?

HON. MR. MacQUARRIE: It is difficult for me to see how a scheme could be worked out under concurrent jurisdiction. That is, there are some of these matters at least that could more properly be dealt with by a national scheme and one might even go a step further and say there are some of them that could be dealt with only by a national scheme, and I would be afraid that concurrent jurisdiction would leave the matter not much different and

not much better than it is at the present time.

MR. STEWART: It just occurred to me in connection with an unemployment insurance scheme one province might want to do that irrespective of the action by the Dominion. The Dominion might not be ready for it, but one province might be ready. Should that province be delayed until the Dominion is ready to put in a national scheme?

HON. MR. MacQUARRIE: No, we would be quite agreeable to that. I was looking at it from the converse standpoint and thinking of the cases where it is going to be put in effect, let us say, in four or five or six provinces and not in some others, - that is, put into effect by the Dominion, - but we would agree certainly that a province that wished to go ahead in the meantime could go ahead with its own plan.

MR. STEWART: That would be satisfactory if it were concurrent in the same sense as section 95 of the B.N.A. Act, now, where the Dominion fills the field then the provincial jurisdiction lapses, but where the Dominion has not yet filled the field the provinces can legislate. Concurrent in the sense of agriculture, for instance.

HON. MR. MacQUARRIE: Yes. Of course in our submission on which we stress the need of provincial or regional boards, our feeling quite frankly on those matters is that it was with a considerable amount of doubt that we agreed to part with that jurisdiction at all. We agreed to part with it because we realized that some of these things, if they are going to be carried out properly, should be carried out in a national way, and at the same time we want to do our part in furthering that idea and at the same time give necessary protection to our industries and our people, from the other end of it.

MR. STEWART: In connection further with unemployment insurance, what you envisage there is a contributory system, is it, and one that is actuarially sound in the sense that it is self-sustaining?

HON. MR. MacQUARRIE: Frankly, our stand on that has been confined wholly to the question of jurisdiction and to the transfer of jurisdiction.

MR. STEWART: You do not wish to speak as to the form?

HON. MR. MacQUARRIE: That is, if we transfer that to the Dominion I think the details of the plan would be for them.

MR. STEWART: The ninth proposition involves the transfer to the Dominion of exclusive jurisdiction to impose succession and death duties and income tax if a mutually satisfactory arrangement to this effect can be reached between the provinces and the Dominion. There is no provincial income tax in Nova Scotia.

HON. MR. MacQUARRIE: No provincial income tax, no.

MR. STEWART: But generally the municipalities have the power to assess.

HON. MR. MacQUARRIE: The municipalities have the power to assess and do assess. At least some of them do assess.

MR. STEWART. Has the power to levy income tax worked satisfactorily in the hands of the municipalities?

HON. MR. MacQUARRIE: I would say not entirely satisfactorily because there has always been a very strong feeling that the income tax collected by the municipalities is collected largely from a certain few classes, mainly salaried classes, such as for instance railway men. And railway men will tell you quite definitely that they pay by far the largest portion of the municipal income tax

because the amount of salary that is paid to them is readily accessible. They say for instance, on the other hand, a professional man earning twice as much as they do is either not taxed at all or taxed a very small amount. There are no complete returns in the sense that we understand Dominion income tax returns.

MR. STEWART: And the so-called unearned income escapes pretty generally, does it not?

HON. MR. MacQUARRIE: Yes, I would say almost entirely.

MR. STEWART: In transferring, then, the exclusive right to levy income tax to the Dominion, you would have to substitute some form of tax for the municipalities, would you not?

HON. MR. MacQUARRIE: Yes, I would say that we would have to compensate them. Whether it would be a substitution of another tax or by carrying some of the work that is now carried by them or just in what way it would be worked out I would not say at the moment. But certainly I feel there is not the slightest doubt that we would have to compensate them.

MR. STEWART: Apart from income, the municipalities have the right to tax real or personal property?

HON. MR. MacQUARRIE: Yes.

MR. STEWART: What is your view as to the extent to which the municipalities can go in raising more revenue from the real estate and personal property tax?

HON. MR. MacQUARRIE: I would feel that they could not go beyond what they are doing today and a good many of them are much beyond what they should be in that respect.

MR. STEWART: Is it the practice to assess real property at actual value or somewhat below in the municipalities, or is there any uniformity of practice?

HON. MR. MacQUARRIE: No, there is not any general uniformity of practice. You might get uniformity in certain areas due to the joint assessment plan that is followed, we will say, in a county with regard to the joint assessment between the towns in the county and the municipalities outside of the towns. With regard to whether the assessment is based on 100% or not you will find a great many different degrees on that question, varying from 100% as it is in some places, and I think perhaps a little over 100% in some towns, to vary considerably below 100%, with a very high rate of taxation.

MR. STEWART: It all comes out either in the rate or the assessment in the long run.

HON. MR. MacQUARRIE: Yes sir. That is, where the assessed value is low you will have the rate running up very high; in some places to seven and eight per cent.

MR. STEWART: Those were the questions that I had in mind to ask the Honorable Attorney-General and then proceed from that to the portion of the brief covered by the Premier. Is it the desire that I go ahead now?

THE CHAIRMAN: Just one question in connection with the municipalities. The Premier told us this morning there had been no default, I think, on the part of any municipality in the province. Has that been due to the fact that the Government has come to the relief of municipalities who found themselves in difficulty, or have they financed themselves entirely save to the extent to which you relieve them of a portion of the unemployment relief which, on the basis on which it was divided, they normally should have carried? It was explained this morning the government in the case of certain municipalities, had carried part of the municipalities' share of relief.

HON. MR. MacQUARRIE: Yes.

THE CHAIRMAN: Has the government had occasion to help the municipalities financially beyond that?

HON. MR. MacQUARRIE: I would say, my Lord, no, with this explanation, that the government has loaned municipalities money against their own bonds at a time when they probably could not have sold them or at least would have had to sell them at a great disadvantage. On the other hand the government has never actually had to come to the aid of any municipality to save default. The situation, if I can make it clear, is this: Up to the present time there has been a general feeling amongst towns and municipalities that they would resort to anything they possibly could in order to avoid default. It is a common expression amongst municipal authorities and town authorities that "There has never been a default in Nova Scotia and we must do something, raise money in some way, borrow it or do whatever we can in order to avoid default." Where it not for that feeling we might have had a different situation.

THE CHAIRMAN: We hope that feeling will continue. It would be a good thing if it would spread to other sections of the country.

HON. MR. MacQUARRIE: I can assure you, my Lord, that at sometimes it is not easy to keep that view, but we are.

COMMISSIONER MacKAY: What control has the provincial government over the borrowing powers of the municipalities?

HON. MR. MacQUARRIE: Speaking generally, without going into explanations and details, the borrowing now must be approved of by the department of Municipal Affairs which comes under the Attorney-General's Department, of which the Attorney-General is ex-officio the minister. Up until two years ago that borrowing was done by special acts passed at each sitting of the legislature, but now

instead of coming to the legislature the town, after it has passed its resolution and complied with the formalities, comes to the department of municipal affairs and it must secure the approval of that department and of the minister before the borrowing could be proceeded with.

COMMISSIONER MacKAY: That is, the approval both of the terms of the contract and of the purpose?

HON. MR. MacQUARRIE: Yes, and of the ability of the town to meet the bonds and of the general financial situation in the town. That is, the question of the assessed value of property and the amount of unpaid taxes and how the affairs of the town have been run, and getting back, as was said here a day or so ago, to the moral risk and everything that would apply to the approval of borrowing.

COMMISSIONER MacKAY: And is the consent of the department sufficient or do you need an order-in-council?

HON. MR. MacQUARRIE: No, it is done by the consent of the Department, Mr. Commissioner, without an order-in-council.

THE CHAIRMAN: Would it be convenient for you to go on at ten-thirty tomorrow morning, Mr. Premier?

HON. MR. MACDONALD: Yes, that is quite satisfactory.

THE CHAIRMAN: Then we will rise. There should be no difficulty in finishing tomorrow.

HON. MR. MACDONALD: I think not.

(The Commission adjourned at 4:45 P.M.
until 10:30 A.M. Tuesday, February 8th, 1938.)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

FEB 8 - 1938

REPORTERS:

George Thompson
John Robertson
David Torry



HALIFAX, NOVA SCOTIA, FEBRUARY 8, 1938.

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

 HALIFAX, NOVA SCOTIA, FEBRUARY 8, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Province House, Halifax, Nova Scotia, on Tuesday, February 8, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN	
DR. JOSEPH SIROIS)
JOHN W. DAFOE, Esq.)
DR. ROBERT ALEXANDER MacKAY)
PROFESSOR HENRY FORBES ANGUS)

Commissioners

Commission Counsel:

James McGregor Stewart, Esq. K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE GOVERNMENT OF NOVA SCOTIA:

Hon. Angus Macdonald	Premier
Hon. Mr. MacQuarrie	Attorney General

FOR THE NOVA SCOTIA UNION OF MUNICIPALITIES:

Mr. A. H. Sperry	President
Mr. R. M. Fielding	City Solicitor

FOR THE CITY OF HALIFAX:

Mr. Bethune	City Solicitor
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FOR THE HALIFAX BOARD OF TRADE:

Mr. J. B. Hayes	Vice President
Mr. A. Handfield Whitman	Chairman of Committee
Mr. Walter Mitchell	Mayor

Province House,
Halifax, Nova Scotia,
February 2, 1938

MORNING SESSION.

At 10.30 A.M. the Commission resumed.

MR. STEWART: There are a few questions arising out of the brief itself that I wish to ask the Prime Minister.

The first, on page 59, about the middle of the first full paragraph, Mr. MacDonald:

"Consideration should be given not only to what ought to be done in the way of money grants but how the whole field of taxation should be allotted; what services should be taken over by the Dominion and what by the provinces, and what services that are now being performed by both the Dominion and the provinces should be definitely assigned to one or the other, in order to prevent that duplication and overlapping of services which we have in many cases today, notably in the departments of Agriculture and to some extent in the departments of Health."

I was wondering if you wished to add anything in that connection to the statements made yesterday by Mr. Paul and other members of the department who spoke on overlapping?

HON. MR. MACDONALD: I think not, Mr. Stewart.

THE CHAIRMAN: Mr. Macdonald, the inference one would draw from this statement would be somewhat different, I think, from the inference one would draw from the statements made yesterday.

HON. MR. MACDONALD: Yes.

THE CHAIRMAN: I was wondering if you could give us an explanation. In other words, this clearly indicates that you believe there is overlapping and duplication

of work and that there might^{bc} by assigning the work of one government to the other, or by some rearrangement, a saving of public expense.

HON. MR. MACDONALD: The submission on page 59 was made three years ago, and I think that since that time some attention has been given to the matter by the departments here and at Ottawa, and some of the overlapping and duplication has been eliminated. Today, I should think, the view of the province would be accurately represented by what was said yesterday by the deputy ministers and others; that the overlapping is not so serious, and is being overcome by mutual arrangement.

THE CHAIRMAN: There is no suggestion you can make to us, wherein you think we might report on overlapping, which would save public expense.

ON. MR. MACDONALD: I had a view at that time, and to some extent still have it, that in agriculture it would be better if the experimental farms in this province which are now operated by the Dominion Government, were put under provincial control. I am assured, however, by the present Minister of Agriculture in the province that through arrangements which he has been able to make with the Dominion Minister of Agriculture, and with those in charge of the farms, that the field of each has been more clearly defined, and he does not feel that centralizing of agricultural activity in the province, say under this province, would lead to any great reduction of public expense.

I think that would be the view also of the Minister of Health and his deputy; that they have worked out with the authorities at Ottawa a fairly satisfactory scheme of division of labour, which could not be improved upon very much if the whole field were assumed by this province. I think there has been some consider-

able advance in those regards in the last three years, since this statement of mine.

THE CHAIRMAN: Thank you.

MR. STEWART: Turning to page 106 of the brief, Mr. Macdonald, that is; statistics as to the low taxable capacity of Nova Scotia, do you not think that a one year statistical study only can give a very inaccurate and incomplete picture of those relative matters?

HON. MR. MACDONALD: Of some of them, yes.

MR. STEWART: That would be particularly applicable to succession duties?

HON. MR. MACDONALD: Yes.

MR. STEWART: Take for instance, the ownership of motor vehicles. Might that to some extent be due to the fact that a great many of our roads have been under construction during the past four years?

HON. MR. MACDONALD: Of course, those statistics, 1934, are since the program was embarked upon in this province.

MR. STEWART: Take the case of telephones, the density of population has a very great effect on the number of telephones.

HON. MR. MACDONALD: Yes.

MR. STEWART: The province with the large cities would have a very much higher per capita number of telephones.

HON. MR. MACDONALD: Yes.

MR. STEWART: Take building contracts; that is a figure which must vary very greatly from year to year, would it not?

HON. MR. MACDONALD: Building contracts vary from year to year, but, on the other hand, I think that the variation would be quite uniform in one part of the country

and another. I do not believe there would be a tremendous building boom in one part of Canada and practically no building in another part. It is true that building contracts in this country during the last five or six years have been far below what they were in former years, and that is true of the United States.

MR. STEWART: Do you know the basis on which the per capita production figures were made up?

HON. MR. MACDONALD: You refer now to per capita production?

MR. STEWART: Yes, at the top of page 107. That is also referred to on page 106, the statistics you derive this from are found in the volume referred to at the top of page 106.

HON. MR. MACDONALD: On page 106, the per capita wealth. The first figures mentioned on page 106, per capita wealth, those figures are taken from page 94 of this publication, and those are based on the so-called inventory method; that is, taking the values of material property of all kinds, which gives us that basis of per capita wealth of \$1,769.

MR. STEWART: And, as regards the western provinces, that is based on the value of their agricultural lands, it includes their agricultural lands?

HON. MR. MACDONALD: Yes.

MR. STEWART: And it brings the western prairie provinces particularly quite high in the scale of provincial per capita wealth. That is correct, is it not?

HON. MR. MACDONALD: Yes.

MR. STEWART: Life insurance sales, Mr. Macdonald, is that in dollars per capita?

HON. MR. MACDONALD: Yes, dollars per capita. That is to be found on page 150 of this publication of the Bureau

of Statistics.

MR. STEWART: What statistics have you as to savings deposits in banks, by provinces?

HON. MR. MACDONALD: No study, as far as I know, appears in this publication.

MR. STEWART: And no inquiry was made by the government?

HON. MR. MACDONALD: No.

MR. STEWART: At the bottom of page 107 the gasoline tax is referred to, and the yield per capita in Nova Scotia and Ontario. Is it not likely that the difference in figures there is due, in a very large measure, at least, to the tourist traffic from the adjacent populous districts of the United States?

HON. MR. MACDONALD: I think that is a considerable factor in Ontario; it is not a negligible factor even with us. I would have to admit, I think, that tourist trade in Ontario has a bearing on the figures.

MR. STEWART: Especially the tourists coming in for short visits by car; that factor is much more prominent in Ontario than it is in Nova Scotia?

HON. MR. MACDONALD: Yes, undoubtedly, although the number of motor cars in Ontario, even excluding the tourist cars, is much greater than in Nova Scotia, and the yield from gasoline tax would be greater per capita in Ontario in any event.

MR. STEWART: Then at the top of page 108, "Corporation Tax", you compare the yield per capita in Nova Scotia and Ontario. A great deal of that might be attributable to the intensive activity of mining companies in Ontario during the last five or six or seven years?

HON. MR. MACDONALD: Yes, I would assume that would have some bearing. How much, it would be difficult to say.

MR. STEWART: It is rather hard to proportion without great detailed study?

HON. MR. MACDONALD: Yes.

MR. STEWART: Turn to page 120 for a moment, Mr. Macdonald. In the first paragraph you begin with the matter of setting aside certain lands in the west for the purpose of education, and make the statement that from a very moderate estimate of the value of the unsold lands there would be available to the province in future years an additional sum of not less than \$170,000,000. Would you indicate where you got that figure?

HON. MR. MACDONALD: We worked out those figures at the time of our submission to the White Commission. I could turn up the briefs which we submitted on that occasion, but that is the source of that information. Also in the brief submitted to the Duncan Commission in 1926.

MR. STEWART: The figure of \$170,000,000?

HON. MR. MACDONALD: Yes.

MR. STEWART: I would suggest that figure might now be subject to very serious revision?

HON. MR. MACDONALD: Probably.

MR. STEWART: On page 126, sub-paragraph (b), "In the conflict between these authorities -- that is, the division of taxing power -- large firms frequently find it easy to resort to tax evasion." It has been suggested to the Commission that the fact is rather the opposite, that corporations doing business in several provinces find themselves taxed, -- I would not say doubly, but more than on their whole capital, that more than their whole capital is taxed in the division between the provinces?

HON. MR. MACDONALD: There may be some cases of that, but I believe, on the other hand, there are cases the other way, where a province finds it impossible accurately to estimate the proper basis of taxation on the great companies outside the province.

MR. STEWART: And there is a tendency, in some cases, to err on the underside?

HON. MR. MACDONALD: Not deliberately.

THE CHAIRMAN: You would not like such a charge to be brought against your government, Mr. Macdonald.

MR. STEWART: On page 133, the third paragraph, "This is a low estimate, and omits many costs which might be assumed if children in rural sections are to be given opportunities for education equal to those offered in the towns and cities." Do you think that is a possible goal, Mr. Macdonald?

HON. MR. MACDONALD: Yes, I do.

MR. STEWART: There has been throughout the history of educational administration quite a marked difference between the policy of rural schools and urban schools. Do you think it is possible to breach that gap?

HON. MR. MACDONALD: I think it is possible to breach that gap, and one way would be by the method of the creation of a larger school unit than at present exists. If you had the whole county as a unit then the poorer section would not be compelled to take a low grade teacher, the quality throughout that county would be the same. Of course, if the whole province were one unit there would be a still greater levelling. Incidentally, I might say one thing, the point is that if we are to stop, -- as I think we should make every effort to stop in this province the drifting away from rural life, we have to try to give the people in the country every

possible advantage; at any rate, we have to give them every possible equality of opportunity and of life generally with those in the towns. We have to build better roads for them; we have to furnish them, I think, with rural electricity at cheap rates; we have to see that their medical service is not too distant, as it is in too many cases in this province today. We have to see that they are given a chance to educate their children properly, otherwise the young unmarried men and women will drift away from the farms and go to towns and cities in this province and different parts of the country, which is the very thing we desire to check; and I think it is a very sound policy.

MR. STEWART: Of course, I want to put this to you; that in the rural districts the home life and vocational life of the children give vocational advantages that are not, as a rule, available to urban children?

HON. MR. MACDONALD: Because the boy goes out with his father and learns to milk the cows and drive the horses, and so on. That is true.

MR. STEWART: And learn the normal farm operations?

HON. MR. MACDONALD: Yes.

THE CHAIRMAN: Mr. Macdonald, just one observation; I presume you are aware that the conditions you describe, the drifting from the country to the cities is not peculiar to this province, or even Canada; it is characteristic of rural sections all over Canada, and I imagine it may be so all over the United States, and probably in other countries.

HON. MR. MACDONALD: Yes.

COMMISSIONER DAFOE: Mr. Macdonald, is there any movement in Nova Scotia for larger educational units?

HON. MR. MACDONALD: Oh, yes. The matter has been

discussed many times, and it has been considered by the Union of Nova Scotia Municipalities, which took no action on it, as far as I know. But, certain counties, -- I think the county of Antigonish, has gone on record as favouring a larger unit, either the county or the province, and I suspect if the larger unit is to come into being in this province it would come in that way, through the desires of certain counties. One county may feel it is ready to go into such a scheme, and if so, legislation should be enacted to permit it to form itself into one unit for school purposes, and equalize educational opportunities throughout the counties.

COMMISSIONER DAFOE: We found in Manitoba the strongest objection on the part of school trustee associations to even making the municipality the educational unit. They cling to the rural school district with desperation.

HON. MR. MACDONALD: Well, that is why I say that scheme, if it could begin at any rate, in an optional way, say Antigonish County, we could say: "You want this, go ahead and have it." If some other county does not want it, I think it would be unwise to try to force them to have it, because obviously it must be a matter where there must be cooperation and good will on the part of the trustees and others interested in school matters.

MR. STEWART: Those are the only things that occur to me in regard to the brief, that have not already been discussed, but there are one or two other questions, Mr. Macdonald. I would like to call your attention to two or three passages in the Duncan Report, and get your view as to whether these passages are in conflict with the provincial submission, and the Jones Report. I refer particularly, first of all, to paragraph 3 on page 9?

HON. MR. MACDONALD: Yes. Your question is, whether the Duncan report conflicts?

MR. STEWART: If there is any conflict between the view there set out, and the present submission of the province?

HON. MR. MACDONALD: With regard to the effect of Confederation on Nova Scotia. Well, I should say in answer to that question generally that the Duncan report might be taken to offer an example of the Scottish verdict of "not proven". There are passages on page 9 and 10 and at the top of page 12, which would indicate that. They are not able, they say, to state that Confederation by itself is responsible for the lack of prosperity, and then they go on to say that responsibility of Confederation must be a matter of speculation; that is on page 10. On page 12 they say: "In view of the feeling that had been engendered in the province, and in view also of the unfortunate commercial and industrial reactions which had accompanied Confederation, whether or not caused by it, it would have been wiser if the Dominion representatives had looked at Nova Scotia's claims from a broad equitable standpoint."

Well, I say it amounts to that "not proven" verdict. But, on the other hand, I think it should be remembered that the report of the Committee of the Privy Council leading up to the appointment of the Duncan Commission, was very broad in its terms, setting out that representations had been made from time to time as to certain matters, by the Maritime Provinces; among these matters being the effects of customs, immigration, and other economical policies. Then, the letter of the prime minister, Mr. King, instructed or suggested that the Commission should interpret its instructions not in any narrow or technical sense, but to take every opportunity for the fullest and frankest discussion of economical difficulties in this part of the Dominion. Now, Mr.

Stewart, and Gentlemen of the Commission, in spite of those very definite instructions the Duncan Commission refrained deliberately from making any pronouncement on trade policies; -- trade policies regarding forest products, regarding fish, coal, and steel; they alleged that those matters were properly for the Tariff Board, and the Duncan Commission therefore did not consider the effect of the tariff on the Maritime Provinces, they did not consider that was part of their deliberations. Consequently, I should say that any pronouncement made by the Duncan Commission with regard to the effect of Confederation on the Maritime Provinces should be read with that caution in mind.

Now, so far as the Jones Commission is concerned, the brief offered to the Jones Commission, unlike the brief offered to the Duncan Commission, was prepared and presented by an economist, and the effect of the tariff and the effect of Confederation generally received a good deal of attention in that brief, and in the recommendation made by the Jones Commission itself. Their findings, of course, have been set out in our present submission, and it says very definitely that the tariff policy of Canada has reacted injuriously on the economical developments here. I would like to say that the Jones Commission was a very able commission; its chairman was a very distinguished English economist, the professor of economics in the University of Leeds, England. He had associated with him Dr. Elliot Johnson, who had been a member of this legislature, a member of the parliament of Canada, and a deputy minister of Canada, for nearly twenty-five years, and who had, therefore, exceptional opportunities, -- opportunities given to few men in this country -- to know something of the economic

life of Canada and of Nova Scotia. They had associated with them a very able economist, Dr. Innis, who is now, as the Commission well knows, head of the Department of Economics at the University of Toronto, and who is, I think, one of the leading economists in this country.

I should say further that the Jones Commission gave full study and consideration to the effect of tariff, and their views in this regard are entitled to very considerable consideration, -- I should say, with all deference to the Duncan Commission, more consideration than should be given to the findings of the Duncan Commission, which considered that it was precluded from a consideration of this very vital question.

MR. STEWART: The Dominion Government was not represented before the Jones Commission?

HON. MR. MACDONALD: The Dominion were asked to be represented, and they refused to have anything to do with the Jones Commission, and also refused to be of any assistance to us in the matter, -- certain other matters.

MR. STEWART: Mr. Macdonald, in addition to the specific paragraph I referred to on page 9, there are two other paragraphs, the first paragraph on page 10 and the second paragraph on page 10?

HON. MR. MACDONALD: Yes.

MR. STEWART: I understand your answer applies to those equally with paragraph 3 on page 9?

HON. MR. MACDONALD: Yes.

MR. STEWART: I also wish to draw your attention to the final paragraph on page 15, where the commission says:

" It is an inevitable consequence of this form of percentage subvention, that provinces are encouraged to undertake special expenditure which

they may not be able to support unless and until the scheme on which the expenditure is made increases their prosperity."

Would you give your view as to the percentage subvention, whether you agree with that diagnosed effect?

HON. MR. MACDONALD: I think it is difficult, Mr. Stewart, to give a frank answer as to the effect of percentage subventions. I think one has to look at the purpose to which the subvention is to be applied, and the duration of the subject matter, -- if I may use that word, -- to which it applies. For instance, if the Dominion wanted to give a percentage subvention for the construction of a provincial road, which would be good in the normal course of events for say, from fifteen to twenty years, with very little maintenance, I can see no ground for serious criticism of a policy of that kind. But, if, on the other hand, the expenditure incurred by the province was a yearly recurring expenditure, that is, if the province embarked on a scheme from the allurements of this percentage subvention, continuing for a period a period of say, five years, and at the end of the five years found that it had on its hands a project which it could not drop but which was more expensive than it otherwise would have been, then I doubt the wisdom of a percentage subvention.

MR. STEWART: Mr. Macdonald, the Canadian Life Insurance Officers' Association have suggested to the commission -- I am referring to page 7 -- one of the most important tasks facing the commission is the development and recommendation of some system which will restrict in some effective way, undue borrowing by Canadian public bodies. They go on to suggest something along the line of a Loans Council, as set up under the

Australian constitution, which would give power to pass judgment on all public borrowings, and be free of local and partisan interests, and should be established if credit throughout Canada is to be placed in a sound position.

I would like to have your view on the need and feasibility of such a move?

HON. MR. MACDONALD: That question was discussed at a Dominion-Provincial Conference at Ottawa, in December, 1935, and perhaps again in January, 1936. The view which the province took then was that it was willing to be one of the parties to a loan council, if that was felt to be in the general interest, though we did not feel that so far as we in Nova Scotia were concerned, there was any great need of a loan council. The purpose of the loan council set forth then would be to enable provinces whose credit was poor, to borrow with the guarantee of the Dominion, and in that way they would be enabled to borrow money at cheaper rates. We have never had any serious difficulty here in making loans, and we said that while we did not think we would benefit from the establishment of the loan council, we had no objection to its creation, and we would be willing to be one of the parties to it, if it would help some other province in Canada.

MR. STEWART: There is a control in Nova Scotia of municipal borrowings, is there not?

HON. MR. MACDONALD: Oh, yes, very definite.

MR. STEWART: I think the cities must go to the legislature direct for statutory authority in the case of each capital borrowing?

HON. MR. MACDONALD: Yes.

MR. STEWART: And the municipalities must go before the Department of Municipal Affairs?

HON. MR. MACDONALD: Yes.

MR. STEWART: It is also suggested by the Life Insurance Officers' Association that the legislative jurisdiction on insurance be assigned to the Dominion, except in relation to the licensing of agents and the law of insurance contracts. I think Mr. Barnstead has already been asked that question.

HON. MR. MACDONALD: Yes. That is satisfactory to us.

MR. STEWART: The Dominion Mortgage and Investment Association have suggested, first, that there be a single inspection, that would be inspection in the ten jurisdictions, -- the Dominion and the nine provinces?

HON. MR. MACDONALD: Yes.

MR. STEWART: Would such an arrangement, if approved by the Commission, be satisfactory to Nova Scotia?

HON. MR. MACDONALD: Yes, that is virtually what we have now.

MR. STEWART: In the insurance field?

HON. MR. MACDONALD: In the insurance field, yes. And the Dominion insurance authorities inspect such companies here as the Eastern Trust, which has a Dominion charter, and such companies as the Nova Scotia Savings, Loan, and Building Society, the Halifax Fire, Canadian Fire, which are Nova Scotia companies, so that is quite agreeable to us.

MR. STEWART: They also suggest uniformity in the forms to be filed with the province for registration and taxation purposes. I think that has already been put to Mr. Barnstead?

HON. MR. MACDONALD: Yes. We are quite agreeable.

MR. STEWART: On page 3 they suggest the fairest tax would be a single tax on the net income within each

province, and such a tax be in lieu of all other forms of taxation. Would you give us your view as to that suggestion?

HON. MR. MACDONALD: Do they wish to wipe out every other tax?

MR. STEWART: ~~Every other form of local taxation;~~
~~I assume they mean to cut out real estate tax?~~

HON. MR. MACDONALD: Would they cut out the gasoline tax, or do they call those taxes?

MR. STEWART: No, this is only for the trust and loan companies' own operations?

HON. MR. MACDONALD: The net income within each province?

MR. STEWART: Yes.

HON. MR. MACDONALD: I see no objection to that. I suppose we would in some way get as much out of them on that basis as we would otherwise, but if it would help to make for uniformity we would be glad to do it.

MR. STEWART: The Canadian Manufacturers' Association,
~~in volume 2,~~ complain about the multiplicity of taxes.
They point out that in Nova Scotia there are 12 of general application, two of special application, and that there have been 141 amendments since the last revision or consolidation. And the suggestion is that a simplification might be arrived at in each province and then in the provinces as a whole?

HON. MR. MACDONALD: In the matter of amendments, of course, the Canadian Manufacturers' Association is dealing there with amendments to such acts as the Education Act, the Public Highways Act, the Municipal Act, the Towns Incorporation Act, the Assessment Act, and so on. They have difficulty in getting 141 amendments to taxation acts.

THE CHAIRMAN: As I understood their claim, it was that all these acts referred to did affect their taxation.

Is that not what you understood, Mr. Stewart?

MR. STEWART: That was the statement.

THE CHAIRMAN: And that it was necessary for them, when making out their returns, to have regard to these various acts and amendments; and they stated that one manufacturing concern had to employ -- I have forgotten how many members -- six to eight members of the staff continuously employed in making out taxation returns for all the provinces, this particular company doing business in all the provinces.

HON. MR. MACDONALD: Well, I cannot agree with them as to that; I am certain there have not been twenty amendments to the Education Act involving financial matters. There may have been twenty amendments since the statutes were revised in 1923.

THE CHAIRMAN: But, if there is an amendment, must not they look it up to see whether it affects taxation matters?

HON. MR. MACDONALD: I would disagree with them totally on that. There are not twenty amendments to the Education Act, affecting taxes.

MR. STEWART: But, the point was, Mr. Macdonald, that they would have to study each amendment to consider whether they are affected by it?

HON. MR. MACDONALD: Yes. Most of those acts, -- as the Attorney-General draws to my attention, -- have been consolidated in federal amendments, and we have not revised our statutes for fifteen years. That may make the problem a little more difficult for the poor Manufacturers, but even at that I believe we are a little better off than the rest of the provinces of Canada.

THE CHAIRMAN: You are not a sinner above others.

HON. MR. MACDONALD: No. However, I quite agree with

the general principle that the fewer amendments one can have to a statute the better, and there is need in this province, I think for consolidation or revision of our statutes. We will help them out as quickly as we can get around to it.

MR. STEWART: The next subject of complaint is that there is a very strong tendency today for legislatures to delegate to administrative officials the power to make rules and regulations, and to fix taxes, license fees, and so on. In this connection they cite specifically the Motor Vehicles Act of Nova Scotia, where the Minister of Highways is given power, subject to the approval of the Lieutenant-Governor-in-Council, to make regulations in regard to licensing motor vehicles operating on the provincial highways. They suggest that the legislature itself should determine matters of that kind.

Perhaps, I could cover everything in one statement. They also object to the Gasoline Tax Act, which authorized the Lieutenant-Governor-in-Council to affix, from time to time, the rate at which the gasoline tax shall be levied, or the rate of taxation on gasoline. Then, they also object, on the same ground, to the Provincial Revenue Corporations Act, which permits the Lieutenant-Governor-in-Council to apportion the amount of taxation on capital, when, of course, applying for registration.

Would you care to indicate whether all these matters could be fixed definitely by statute?

THE CHAIRMAN: Mr. Stewart, my recollection is, they drew a distinction between fixing the taxes or license fee by regulation, or order-in-council, and purely administration regulations.

MR. STEWART: Yes, although they are general in their statement.

THE CHAIRMAN: I put the question specifically on the hearing, and my recollection is that they said the objection was^{to} the principle of either the Lieutenant-Governor-in-Council or the minister fixing the taxes or license fees, which they thought should be settled by the legislature.

MR. STEWART: The three cases I referred to are in regard to license or taxing acts.

THE CHAIRMAN: Yes, they are all of that kind.

HON. MR. MACDONALD: Well, the principle is sound, I think, that taxation should be imposed by the legislature, but there are some difficulties with regard to some of those acts.

(Page 4217 follows)

Take motor vehicles, for instance. In dealing with this question you have to consider the financial year of the province which ends on November 30, as well as the season of the year which automobiles generally get on the roads in Nova Scotia. This is about the first of May. It may be difficult to fix for a year in advance what the proper fee for an automobile should be. The Minister of Highways, as you know, has recently made an announcement that he contemplates some reduction in the motor vehicle fees. This privilege would not be available if a rigid rule were laid down by statute and had to be followed.

THE CHAIRMAN: You could do it at the approaching session of the legislature?

HON. MR. MACDONALD: Yes, you could, but in the meantime you would have a number of cars already registered and you would be faced with the question of making refunds to them.

BY MR. STEWART

Q. The next objection contained in the Brief of the Canadian Manufacturers' Association concerns the increase in retroactive taxing statutes or amendments, making taxation provision retroactive, and reference has been made in this connection to the Nova Scotia Succession Duties Act. A. Well, I think it is a common provision in the Succession Duties Act to state that, "This shall be law as and from a certain date." We had this in our previous Act, "This shall be law as and from the first day of January, 1917." The amendment which we made in 1935 was treated in the same manner. I think a provision of that sort is necessary.

Q. The effect of that might very well be to increase the

amount of the tax over what it would have been at the time a particular transaction occurred? A. I do not think the act was ever intended to be applied in a case like that. We did deal with a case in which we felt there had been an attempt made to evade the provisions of the Succession Duties Act. In order to circumvent that attempt it was necessary to make certain retroactive provisions. I would agree generally, of course, that retroactive legislation in this regard is not desirable. On the other hand, I would not be prepared to stand by and see the legislature impotent against tax dodgers. If it is necessary to invoke retroactive legislation in order to prevent tax evasions, I should say it is justifiable.

Q. It is rather difficult to draw a line, I suppose, once you depart from the principle and have no retroactive legislation, it is rather hard to draw a line as to what is proper? A. I think it is generally known in this province that there was one estate to which the legislation referred. We did not open up any other estates and impose new taxation upon them or anything of that sort. We did think in one case, there was an attempt to evade the provisions of the Act. It was rather obvious when a return was made to us showing no succession duty payable to the province. It was even more obvious when we ended up with several hundred thousand dollars given us by decision of the court. There was certainly something wrong there.

THE CHAIRMAN: Before passing from that, Mr. Stewart, I think any discussing this principle, it ought to be made quite clear that a distinction was drawn between retroactive amendments which increased a tax and retroactive amendments which have an administrative provision

to enable the tax to be more effectively collected. I think the Canadian Manufacturers' Association said, that from an administrative point of view, they had no objection to that.

HON. MR. MACDONALD: We have not done that in this province; it was largely to remove some doubt concerning a certain case.

BY MR. STEWART

Q. These people complain about substantial taxation under the guise of licensing; in this connection they referred to the gasoline licensing Act of Nova Scotia which required the payments for licenses ranging from \$250. to \$700., according to the galloneage sold, the claim being that the license fee has no relation to the cost of administration involved? A. That fee is based, as I say, according to the galloneage. It is a common provision, I think, of a tax act. You tax an automobile according to its weight, and so on.

Q. You see no objection to a tax imposed in that way?

A. No, it is unavoidable.

Q. It is specifically reserved for the provinces under section 92 to raise money by imposing license fees?

A. Quite.

Q. Now, on page eight of the Brief submitted by the Canadian Manufacturers' Association, it is suggested that any imposition of a capital tax deduction should be made, in so far as a particular company holding shares in other companies is concerned, otherwise there is double taxation.

A. Page eight?

Q. Page eight, yes, recommendation five. A. This involves the question of holding companies, and there are other considerations. I would not be prepared to agree

with that contention at this time.

Q. You would want further time for study and analysis?

A. Yes, it involves several considerations.

Q. The final suggestion to which I wish to call your attention, is the tenth on page eight of the Manufacturers' Brief:

"That all orders, regulations and rulings made by executive and departmental authority should be regularly published and made available to taxpayers and should have no force or effect until so published."

A. I think I would agree to that, there should be publication and distribution of those.

Q. In volume three of the Manufacturers' Brief--I think this has already been discussed with some official, I think it was the Attorney-General. The suggestion is that the old age pensions should be put on a contributory, all-in basis, rather than purely on the basis of need. I think we have the Attorney-General's answer to that, so I will not press it any further.

In the Canadian Electrical Association's Submission, the point was raised, and I understand it is going to be brought before the Commission by the Halifax Board of Trade, that the privately-owned electrical companies, having some 770,000 customers, pay over \$7,000,000 in taxes to the municipalities, province, and Dominion. The municipally-owned companies having over 915,000 customers, paid the sum of \$510,000, practically none of which went to the province or Dominion. The suggestion is made that this is discrimination against the customers of the privately-owned utilities, not only discrimination, but a very substantial discrimination, the amount on the average in the case of the privately-owned companies is nine dollars per

capita and in the case of municipally-owned companies, only fifty-six cents, roughly seventeen to one. I would like to have your views on that from the viewpoint of the province of Nova Scotia. A. Yes, I am inclined to agree with the submission of the Canadian Electrical Association, I think they are on solid ground.

Q. The Investment Dealers' Association of Canada suggest on page 15 of their Brief in addition to the uniformity of all Acts in general, the uniformity of what is known as Blue Sky legislation. They mean, uniformity in the sense that the same information should be supplied to all jurisdictions and that approval by one should be taken as approval by the others without further hearing. A. I do not know that I would agree with the last part, but I would certainly agree to the principle of uniformity of forms.

Q. Is that the type of thing which can be worked out by negotiation between your departments and the various provinces? A. In the matter of uniformity of returns, I think it could be, but the other matter might be found a little more difficult.

Q. MR. STEWART: I think that is all, my Lord.

HON. MR. MACDONALD: You asked me one question, Mr. Stewart, with regard to the figures quoted in our Brief on page 106. You asked me about the net production, as to what that was based upon. I was endeavouring to find the exact part in the "Maritime statistics" which would contain a definition of net production. I am not able to find a definition there, but I have found one in the Year Book. In the Canada Year Book, 1933, which I assume was the Year Book before the Jones Commission, "Gross

"production shows the total value of all commodities produced." "Under the particular heading net production an attempt has been made to eliminate the value of material consumed in the process of production." In an ordinary economic discussion the net figure should be used in preference to the gross. I take it that the figures given on page 10 of our Brief would give the per capita net production of Nova Scotia and Canada. I think our figures are based on "net production" in the sense defined in the Canada Year Book, 1933, page 204, eliminating the cost of materials from the gross value of production.

THE CHAIRMAN: Mr. Macdonald, on behalf of my colleagues and myself, may I express to you, and particularly the Attorney-General our thanks and appreciation for the very clear and comprehensive review which you have given of the position of Nova Scotia. The attitude of Nova Scotia on the questions which we are called upon to ask is very commendable. I can assure you that your representations will receive the most careful consideration of the Commission. We, of course, must keep an open mind until we have heard the representations from all the bodies, governmental or otherwise, who are to make representations to us. There is only one further matter; you were good enough to suggest you would make a statement on the question of Maritime union, would you care to make that now?

HON. MR. MACDONALD: I have given some thought to the question of maritime union. I should point out that this question has been discussed in this province for a great many years. It was discussed as long ago as 1854, perhaps even before that year, and since then there have been intermittent discussions with the provinces. I mention that in view of what I intend to say next, and that is,

in spite of this long consideration of the question, I am not aware, at this time, of any overwhelming majority of sentiment in the province in favour of union. There are, indeed, some people in Nova Scotia who believe in maritime union sincerely, but there is no evidence before this government that such a view is shared by the majority of the people in the province. I believe that is the first consideration to which a government would have to pay heed.

The second aspect of the question would be the financial arrangements involved. It has not been shown that any great saving may be effected in the overhead expenses of the government. The Duncan Commission on page 15 of its report, said it was not impressed with the argument that any financial saving would arise or that it would materially affect the present condition of the maritime's finances. There are various grounds, I think, for that view. We could save money on the upkeep of Government House; there would be only one Government House for the three maritime provinces, I doubt very much, if anything could be saved in the matter of sessional indemnities. We should have fewer members, but the indemnity to members would have to be considerably increased. We have now eighteen Cabinet Ministers in the Maritime provinces who receive salaries totalling \$75,000, a little over \$4,000 for each one. There is no doubt, if we had a maritime union we could get along with less than eighteen ministers. However, I feel that we would most certainly have to pay each minister considerably more than the average now received.

Another consideration would be the fact that there is a considerable diversity in the industrial pursuits followed in the three maritime provinces. This is contrary

to the general belief. For instance, the mining of coal, gold and other metals, the production and manufacture of steel and many products in which steel is used; these form two of the great industries in this province. There is no mining or steel manufacturing whatever in Prince Edward Island. In New Brunswick, there is none except a relatively small coal mine at Minto, New Brunswick. The fisheries of the province of Nova Scotia are more valuable than those of New Brunswick or Prince Edward Island, whereas New Brunswick's lumbering industry is much more important than the lumbering industry of Prince Edward Island which is very small, one might say almost a negligible factor in their economic life. It is considerably larger even, than the lumbering industry in this province. There is also a considerable difference in the laws now in force in these provinces. A good deal of effort, perhaps eventually unsuccessful effort would have to be made in an endeavour to work out a uniform code of laws for this new united province. On the other hand, there is, at present, a very considerable degree of cooperation in many matters between all of the maritime provinces. We have an example in the matter of technical education. We have one college, the Nova Scotia Technical College at Halifax, for the training of mining engineers, electrical engineers, civil engineers, mechanical engineers, This college supplies the needs of the three maritime provinces. In agricultural education, we have only one college, the Nova Scotia Agriculture College, at Truro. There is only one institution for the education of the blind, one for the education of the deaf, and one home for the detention of juvenile boys and juvenile girls. All of these institutions, are in a certain sense, common

property. At any rate, the benefits of these institutions are common property to the people of the maritime provinces. In the matter of teaching forestry, the province of Nova Scotia has done little. This matter has been left to New Brunswick, as its interests primarily concern this question. The province has established a forestry school at the provincial university. These would be my views, generally on the question of maritime union.

Finally, if the matter required attention, I feel that some way should be found for such a scheme to be put before the people of this province before it were embarked upon. There are difficulties, I think, in eastern Canada which might not be encountered in a newer country. Where provinces are old with long settled conditions and local loyalties, one encounters problems which might not be encountered in newer parts of the country.

THE CHAIRMAN: Mr. Macdonald, just one question; you have touched upon the possible saving in the executive branch of government and in the legislative chambers, but you did not deal with the question of a possible saving in the general administration of the departments of the government. If you would care to express an opinion on that part of it, we would be glad to have it.

HON. MR. MACDONALD: I have thought of that, and I think one would have to make a detailed study before a proper answer could be given. At present, I doubt very much if any considerable saving could be made. It would seem to me that in a matter such as the registration of motor vehicles, while there would be one department of highways, it would be necessary to have branches in New Brunswick and Prince Edward Island. Prince Edward Island is an island of course, and is cut off from the rest. It would seem to me that there would have to be

a branch of the highway department in Prince Edward Island as well as a branch here, and you would require about the same number of people to do the work. It is my belief that the same thing would apply in the Department of Public Health. You would certainly need as many doctors and nurses. I am not greatly impressed with the argument that there would be a saving in expenditure. The amount of travel necessary would increase greatly. One might have to travel from the northern part of New Brunswick to Nova Scotia, and the only alternative to this would be to maintain the branches of government which you have in the different cities.

MR. STEWART: There is just one question, my Lord, which I have neglected to cover in my questions to the Premier. I wanted to ask him whether, in his opinion, there was any considerable demand in Nova Scotia for health insurance legislation.

HON. MR. MACDONALD: It has been discussed by some people, but I do not think it is one of the crying needs of the hour. I do not feel it is a matter which has to be given immediate attention.

THE CHAIRMAN: Thank you, Mr. Macdonald. The next representation which we will hear will be that of the Union of Nova Scotian Municipalities.

MR. STEWART: There are two more exhibits in connection with the province's case. The first is, "The maritime provinces 1867-1934," a publication by the Dominion Bureau of Statistics.

THE CHAIRMAN: That will be Exhibit Number 151.

EXHIBIT NO. 151:	Maritime Provinces, 1867-1934, published by the Dominion Bureau of Statistics.
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MR. STEWART: The next is a volume of appendices to the Royal Commission on the provincial economic inquiry,

THE CHAIRMAN: That is the Jones Commission, that will be Exhibit Number 152.

EXHIBIT NO. 152: Volume of appendices to the Jones Commission.

MR. STEWART: The next is the maritime provinces since Confederation" published by the Dominion Bureau of Statistics.

THE CHAIRMAN: That will be Exhibit Number 153.

EXHIBIT NO. 153: The Maritime Provinces since Confederation, published by the Dominion Bureau of Statistics.

THE CHAIRMAN: We will now receive the submissions of the Nova Scotia Union of Municipalities of which Mr. A. H. Sperry, is President.

MR. A. H. SPERRY, President of the Nova Scotia Union of Municipalities was called.

MR. SPERRY: Mr. Chairman; and gentlemen; Nova Scotia is honoured by your presence here, and, while your duties have been arduous, I hope you will carry away with you many pleasant recollections of your stay here.

THE CHAIRMAN: Thank you, I am sure we will.

MR. SPERRY: As President of the Union of Municipalities, I deem it a privilege to be present this morning and take some little part in the presentation of the memorandum prepared by the Union for presentation to you.

You gentlemen are, of course, aware that municipal unions are very common and exist in all provinces in the Dominion except, I think, Prince Edward Island. I think they exist in a large number of States in the United States. We perhaps, have the unique distinction of being, so far as I am aware, the only union which comprises within

its membership, all the municipalities in its particular area. We have been fortunate in that respect, although we have only sixty-nine members. Gentlemen in your position are aware that the municipalities have a distinct place in the governmental system of Canada. I do not think the ordinary laymen realizes that we have in this Dominion thousands of municipalities. While the municipality is probably the smallest of the governmental bodies, it nevertheless has definite obligations to ~~perform in taking its full share of~~ the governmental duties of the Dominion.

Now, the Dominion secures its revenues by various means. It has great latitude, of course, the Dominion handles the larger and more important questions and it is natural that it should take over the largest source of revenue. The province has its own way of raising revenue, and the poor municipality is left with the ancient system of direct taxation. With us, of course, it is on real and personal property and, to some small extent, pole taxes. The municipality is left with the direct methods of taxation. You can see from this that if a tax is suddenly increased or becomes burdensome it is soon reflected in the attitude of the people within that municipality. Municipal taxes bear harder upon the people than any other form of taxation because it is direct taxation. A man is absolutely sure of two things, as they say, "Death and Taxes."

THE CHAIRMAN: I suppose most of us are sure of those, Mr. Sperry.

MR. SPERRY: Yes, sir. Now, the changing conditions

of which we hear so much are very evident, and they apply to the Dominion and provincial governments as well as the municipalities. There is no question in my mind, and I am sure there is no question in the minds of those who are closely concerned with most of the municipalities that direct taxation was never intended to cover these changing conditions at the time the municipalities were formed or organized. We intend to give you, as briefly as possible, our ideas on the matter and perhaps some suggestions which might be workable or might aid you in your consideration of the matter. I will read the letter addressed to the Chairman and Members of the Royal Commission:

"The Union of Nova Scotia Municipalities, representing all cities, towns and rural municipalities of the province, begs to submit the following memorandum on Municipal Government in Nova Scotia. It has been prepared on behalf of the Union by the Institute of Public Affairs at Dalhousie University, a body established to promote throughout the Maritime Provinces cooperation between government and universities in the field of public administration.

The memorandum does not attempt to give the complete picture of the municipal situation in the Province. It discusses some of the major difficulties confronting the municipalities at the present time, stressing the problems the solution of which depends largely on the new financial and administrative arrangements to be made between the Dominion and the provinces.

"Considering the situation as explained in the memorandum we suggest:

I. That arrangements should be made between the Dominion and Provinces which will make it possible to:

1. Relieve municipalities from their responsibilities for:

(a) Administration of justice."

Might I digress there, for a moment. This is not intended to mean that we would disturb the existing arrangement with reference to court houses, court officials, juries, and civil or criminal matters which are still a part of municipal administration. I wish to point out, however, a few of the problems which some of the municipalities are meeting from new sources. They are entirely new sources of expenditure so far as the administration of justice is concerned. For instance, take the Customs Act. The enforcement of this Act has caused some of the municipalities some increased expenditure. In the case of a rumrunner who is caught within the seven mile limit, just outside territorial jurisdiction--A short time ago a captain and three members of a crew were brought to trial. The captain had been tried and his trial cost the municipality at least \$800.00. The other three cases are still to be tried, and assuming that they cost approximately the same, it will mean an expenditure of approximately \$3,000 by that municipality. The municipality generally had nothing whatever to do with the case. This is creating a new expenditure under the heading of the administration of justice. The other case in point is one in which a Royal police officer shot at a vessel which refused to

to stop. One of the members of the crew was killed. The resultant inquest and preliminary trial, which was bitterly contested, cost the municipality interested a very large sum of money. Eventually, the grand jury threw the case out; they did not return a true bill, although a charge of manslaughter had been laid against the officer. These are two cases in which it can be said the municipality had no interest, except a general interest in the administration of justice.

THE CHAIRMAN: Are these urban or rural municipalities?

MR. SPERRY: Rural; the liquor control act of Nova Scotia has also forced upon the municipality a great deal of extra cost. It is quite true that the province pays for the incarceration of prisoners under the Liquor Control Act, but I am referring to other costs. The Royal Canadian Mounted Police look after these cases; it is part of their administrative duties. One municipality had twelve trials under this Act within three years. I have in mind one very small municipality which will have to pay for a murder trial which will probably cost them \$2,000. It is part of the administrative duties of the municipalities, and it is unfortunate, that this is so. I think something will have to be done to relieve them of some of this responsibility.

THE CHAIRMAN: Is it not a question entirely between you and the province? The question of the administrative jurisdiction is one between the municipality and the provincial government.

MR. SPERRY: Of course, the Mounted Police would be, but the question of the Customs Act is not quite the same. You could hardly consider it as a proper charge

upon the municipality; it is purely a federal Act.

THE CHAIRMAN: So is the whole criminal code; you cannot very well discriminate between legislation which is law imposed by the federal parliament and provincial or municipal acts. These are all laws and they have to be enforced; the matter of enforcing them is a provincial obligation and the matter of costs is to be divided between the province and the municipality.

MR. SPERRY: The Customs Act is a Dominion revenue Act; it is not like the other statutes.

THE CHAIRMAN: The Dominion has apparently, for the purpose of assuring its revenue, gone to a good deal of expense to secure its enforcement. It would be the same as any other law which would come within the administration of justice.

MR. SPERRY: I quite appreciate that, I am pointing out that the small municipalities--

THE CHAIRMAN: I appreciate the difficulty a small municipality would have.

MR. SPERRY: Returning now to the Brief, the other details are these:

- "(b) public health
- (c) care for harmless insane
- (d) unemployment relief
- (e) vocational education

- 2 To provide for or to increase provincial grants to the municipalities for--"

Referring back to item c "the care for harmless insane"; the idea is that there are a number of these people who require special treatment. They are now a burden on our

county homes. A large percentage of these people require more expensive and skilled treatment than they can receive in the ordinary county or municipal home.

THE CHAIRMAN: Is there no room for them in the provincial asylum?

MR. SPERRY: Our provincial asylum takes care of all patients who are admitted to that institution. If the officials of the asylum decide that the patient is harmlessly insane, the patient is transferred to an approved institution. The Nova Scotia Hospital, across the harbour at Dartmouth only cares for such cases as are definitely harmful or such cases as they feel may some day be discharged as cured. Referring again to the Brief:

"2. To provide for or to increase provincial grants to the municipalities for:

- (a) general education
- (b) poor relief
- (c) hospitalization of indigents

II. The Employment Service of Canada should be strengthened so that it might efficiently co-operate in bringing unemployed back to work.

III. Federal funds should be provided for low rent housing.

IV. Tax exemption enjoyed by the Canadian National Railways--"

And inserted here should be other federal projects.

"--should be repealed or grants given in lieu of railway taxation.

Respectfully submitted,

A. H. Sperry, President

Arthur Roberts, Secretary-
Treasurer, Union of Nova Scotia
Municipalities.

Now gentlemen, I do not propose to take up any more of your time. I know that you have been very busy and you have a great deal to do. Mr. R. M. Fielding, Solicitor for the Union of Municipalities, will give you a brief resume of the specific points mentioned in the Brief.

(Page 4235 follows)

MR. R. M. FIELDING: Mr. Chairman and gentlemen:

With your permission I will immediately turn to page one of the brief, and perhaps at the outset I may say that it will not be necessary for me to read verbatim the brief which we have for many reasons, two of which are that some of the points have already been dealt with quite extensively in the provincial brief and another important aspect will be dealt with at length in the brief to be submitted by the city of Halifax. I may say this brief was prepared without reference to these other briefs and without knowledge of them, and there will be of necessity some duplication. I might say the city of Halifax is a member of the union of municipalities, but because of the special interest it had which is unique in our province and probably in Canada, in connection with the tax exempt property it felt it should present a separate brief. I may say the union is in complete harmony with the briefs so far submitted and the brief which is to be submitted by the city of Halifax, and which has been submitted to us.

" An investigation of Dominion-Provincial relations would be incomplete if it did not include an examination of municipal conditions. For the provinces do not exercise all the functions conferred upon them but have entrusted an important part of these to the municipalities, that is, in Nova Scotia, to the cities, towns and rural municipalities. For the discharge of these functions the provinces have put at the disposal of the municipalities certain sources of income. But they could give only so much as the division of financial powers between the Dominion and the provinces would allow. If, therefore, this system should have become inadequate to cope with the needs of modern government, this will, to a certain extent, also be

reflected in municipal finance and in the way the municipalities perform their functions."

How far this is true for Nova Scotia we try to examine in this brief and the brief is made up of chapters. The first one gives the legal basis of municipal government; the second one some of the ways in which the municipal responsibilities are discharged and the third one deals with the financial situation of the municipalities in a brief review.

On page 4 of our brief it is pointed out for the purposes of local administration the province is divided into twenty-four municipal areas, rural areas, with the municipal council in control, and two cities and forty-three towns with their separate system of government. The municipality is a large and sparsely populated rural unit; the town or city is a relatively small and densely populated urban unit.

The responsibilities of each rural unit are divided between the municipality and its municipal council, and its committee, and four local representatives, namely, the overseers of the poor, they are appointed by the municipality, the school trustees, they are selected in the school areas, local boards of health and local boards of firewards, each appointed by the local council.

THE CHAIRMAN: Just so that I follow this clearly, the overseers of the poor are a committee appointed by the municipal council?

MR.FIELDING: The freeholders of a community appointed by the municipal council.

THE CHAIRMAN: Have they any independent authority?

MR.FIELDING: They are a body corporate.

THE CHAIRMAN: Does the municipality control their expenditure?

MR.FIELDING: All their accounts are submitted to the municipal council for approval and audit, and the grants for their needs are made by the municipal council.

THE CHAIRMAN: Yes, the municipal council controls how much they may spend?

MR.FIELDING: In effect, yes, because they expend during the year an amount given them by the municipality and their subsequent accounts are governed by the approval the municipal council has of their conduct. But it may be that the municipal council may have to pay for something it does not want to pay for which has already been paid by the local board of overseers of the poor in the exercise of their jurisdiction.

THE CHAIRMAN: And the board of school trustees are appointed directly?

MR.FIELDING: Yes, the system of school administration antedates confederation.

THE CHAIRMAN: In the case of school trustees are they solely responsible for what they expend and do they levy a tax rate or are they entitled to demand from the council that the council levy a tax rate for a certain sum?

MR.FIELDING: They levy their own rate, they collect their own rates.

THE CHAIRMAN: And then the fourth, the local boards of firewards?

MR.FIELDING: That is a field of government provided for in our legal set-up but which except in towns is not of any consequence. There are very few rural municipalities in Nova Scotia doing anything in the way of fire protection.

THE CHAIRMAN: That, then, includes fire protection?

MR.FIELDING: Yes, my Lord.

THE CHAIRMAN: Are they independent/^{or} are they appointed

by the council?

MR.FIELDING: They are appointed by the Municipal council.

THE CHAIRMAN: And responsible to the council?

MR.FIELDING: Responsible to the council.

THE CHAIRMAN: And the expenditures are controlled by the council?

MR.FIELDING: Yes.

THE CHAIRMAN: Then, the only expenditure within the municipal area itself which is not controlled by the municipal council is the school board?

MR.FIELDING: Yes.

THE CHAIRMAN: Thank you.

COMMISSIONER DAFOE: That is universal, that applies to the City of Halifax, for instance?

MR.FIELDING: In this brief, as we have started off, we have first of all dealt with rural administration and then we deal with the cities and towns. In the cities and towns in all these instances the fire protection and schools are all within the municipal control that is to say, the school board is a committee appointed by both the town council and the province of Nova Scotia.

COMMISSIONER DAFOE: They are not an elected body?

MR.FIELDING: No.

THE CHAIRMAN: But do they levy their own rate?

MR.FIELDING: Not in the towns. In the rural districts they are in a different position. Then, we would point out the responsibilities of the municipality in the administration of justice and what they may mean. Education in the municipal council, as restricted to areas, have their fund provided for by statute and it is merely the duty of the board to obey it. Certain health services are required from municipal government, but I may say

that the municipalities have not been able to do very much in the way of municipal health service. Under the statute there are certain things they are required to do if directed to do so by the provincial department of health.

THE CHAIRMAN : Have they a local health officer in each municipality?

MR. FIELDING: Yes, I think every municipality has a local health officer. And the maintenance of a poor - house and asylum for harmless insane, but not the support of the poor which we have pointed out is a matter under another section. All of these items (A, B, C and D), given on pages 4 and 5 may form the basis of joint expenditure between the rural municipality and towns located within the county, and the accounts collected in that way. Subsequent provisions set out there are purely the responsibility of the municipal councils.

On page 6 we endeavor to set out some of the responsibilities of the local boards. Each municipality is divided for the purposes of poor relief, education, health and fire protection into poor districts, school sections, health districts and fire districts; each of these four districts is presided over by its own local board and is responsible for the expense of providing the service assigned to it. The polling district is really the basis of the division, except in school sections which are controlled by the department of the province and there are local districts which have been established and antedate our municipal districts, and their areas may be changed and affected by a district board, wholly apart from the provincial government.

THE CHAIRMAN: And the size of the area and the number of pupils are considerations which govern the determination

of the area.

MR.FIELDING: Yes. The areas away back were established. There is established also a district board on which the local boards have representation and this district board may increase or diminish the size of any school district.

THE CHAIRMAN: Are the district boards county?

MR.FIELDING: Altogether removed from municipal government, purely within the Department of Education and its establishment. There are seventeen hundred and fifty-eight, I think, to be correct, school districts, seventeen hundred and thirteen rural districts in the province, each responsible for maintaining a schoolhouse and paying to the teacher the difference between the salary agreed upon and the amount received by the section for the teacher's salary from the provincial grant and municipal school fund. Each section receives from the provincial treasury an amount per teacher varying according to the license of the teacher and the fund is based too on the population. The three school trustees elected annually by the school ratepayers of the section, themselves fix and collect the school tax. They have no control over policy, standards, courses, or text books, and although it is their right and duty to engage the teacher, they just engage him for a period under a form of contract approved by the Department of Education.

I may say the health boards, while they are municipal responsibilities, such has been the lack of funds for municipal purposes that other services have demanded about all the municipalities were able to provide and they have not been able to enter, as they have been in some other provinces of Canada, into health and fire protection activities which, under our law, are responsibilities of the municipality.

THE CHAIRMAN: I see under health, "Each health district is responsible for the cost of abating nuisances therein," and so on. Where do they get the money for that?

MR.FIELDING: From the municipal council.

THE CHAIRMAN: The council provides it?

MR.FIELDING: Yes. I may say, strictly speaking, the money is provided by the municipal council but there is authority to make such charges a district charge and it is rated, in addition to the ordinary municipal rate, upon the district concerned.

THE CHAIRMAN: But that is done by the municipal council?

MR.FIELDING: That is done by the municipal council when there is some extraordinary charge. Normally it is absorbed by the municipal rate and not rated on the district, a very rare time, but that is the method by which it may be done. That is the ^{legal} responsibilities in which the municipalities engage.

Urban administration is somewhat similar. All the responsibilities of each urban unit, that is the city or town, are imposed upon the town and are paid for out of the general revenues of the town which are raised by one general town tax. Each town forms a single and separate local government area quite distinct from that of the municipality in which it is found; it also forms a single and separate poor district, school section, health district and fire district. The duties of the municipal council are performed by the town council. The duties of the overseers of the poor and the local board of health are performed by committees of the town council, and firewards also by a committee, but the duties

of the school trustees are performed by a board of school commissioners, consisting of three appointees of the council, and two appointees of the Provincial Government; this Board has the same powers and duties as the rural school trustees, but (1) instead of itself levying and collecting the school tax, it fixes the amount annually required for the maintenance of its schools (over and above the amounts received for teachers' salaries from the municipal school fund and the provincial grant) and demands it as of right from the Council, and (2) the Council, and not the Board, is responsible for extraordinary improvements to old schools and for building new schools.

The town is responsible for paying to the municipality its proportionate share of the costs of the joint expenditures and the joint expenditures are determined by agreement amongst the municipalities and towns concerned and provided for under our assessment act, if they cannot agree, by a board of arbitration. Roads and streets are a responsibility of the municipality, that is within the towns and cities, and it is their duty to maintain them, in addition to making a contribution to the provincial government for maintenance of the highway in the province through its town's highway tax, an amount equal to one-tenth of one per cent of the value of all rateable property in the town. It is the duty of the town to remove snow. The towns and cities in our province are responsible for maintaining a police office and paying the salary of a stipendiary magistrate appointed by the provincial government, and maintaining a police force and lock-up. They are also responsible for poor relief, education, health and fire.

The revenue for these services by the town, we set out on page 8, and acquired, apart from court fees for breach of municipal fines, by an annual percentage tax on the value of real and personal property in the area in question and from poll tax. There should be added, as you will find on page 19 of the brief, that there are certain revenues to be derived from commercial undertakings in which towns have engaged. For instance, the operation of a ferry across to the town of Dartmouth and municipal waterworks and electric light in some of the towns of the province.

That perhaps hurriedly, but I trust sufficiently, sets out the legal position.

THE CHAIRMAN: Yes, you put it quite clearly.

MR. FIELDING: May I now ask the Commission to consider the matters referred to on page 9 of the brief, the administration of justice:

In contrast to the western provinces, in Nova Scotia the administration of justice is a financial responsibility of the municipalities. It involves for them a rather considerable expenditure. In 1936 the cities spent for that purpose \$178,000, the towns \$131,000 and the rural municipalities \$135,000. In the cities and some of the towns, police expenditure is included in these figures. In the smaller towns and in the rural municipalities, police functions are performed by the Royal Canadian Mounted Police without any charge to the communities concerned. But the expenditure of that amount of money by the municipalities is a serious drain upon the municipalities.

COMMISSIONER MacKAY: How is that done, Mr. Fielding? You say "In the smaller towns and in the rural communities police functions are performed by the Royal Canadian Mounted

Police." Are there any contractual arrangements between the parties?

MR.FIELDING: No, it is done gratis. The Royal Mounted Police are placed in the province of Nova Scotia under an agreement with the Dominion of Canada for the protection and policing of the province, and may operate all over the province, but actually do the entire police work of the rural areas of the province and in some smaller communities.

It is commonly agreed that the administration of justice should be a provincial rather than a municipal responsibility, especially in view of the fact that the Province collects all the fines. In particular there is one function in this field that the municipalities have found difficult to perform -- the administration of jails.

Before I proceed to discuss the question of jails perhaps I should emphasize that the brief as submitted by the Union and as referred to in the suggestion as made on the first page without number in the brief is that the municipalities should be relieved from certain responsibilities, amongst which is the Department of Justice, and they have not said whether the responsibility should be provincial or federal.

THE CHAIRMAN: But under the British North America Act the administration of justice clearly is provincial.

MR.FIELDING: It is provincial, and there is an argument that may well be advanced that there has been quite a change since the days of 1867 in the duties that devolve upon districts in the administration of justice. For example, so far as municipalities are concerned, the advent of the motor car. I imagine that it was originally intended to charge a local community for the care of people

within its territory. The advent of the motor car and travel has brought within the borders of the rural community and district an increasing number of people who may commit an offence within that area and they will be responsible for their punishment. There has been a great growth in the summary convictions part of our criminal law. The president of the union referred to the fact that the protection of the Customs Act of Canada places a special demand on the people situated on the sea coast, which was never contemplated I suggest.

THE CHAIRMAN: Do you think not? There must have been some form of administration of justice and collection of revenue before Confederation?

MR. FIELDING: Yes.

THE CHAIRMAN: And in Confederation why would not the normal thing be for the province to administer justice and then for the province to determine as between itself and the municipality, which is its creation, or which is subject to its legislative power, how that cost should be divided?

MR. FIELDING: Perhaps we are at variance, because I was speaking of the municipality, and not as between the Dominion and the province. But answering insofar as the province is concerned, may I suggest that it was never contemplated that there would be a Customs Tariff set up in Canada which would involve a protection of the revenue to the extent that boats would patrol the ocean beyond the three mile limit to the ten mile limit, increased by the customs regulations of recent years, and bring back to a rural community some offenders and make that municipality bear the entire cost of trial and witnesses being brought, not only from here, but from Ottawa. I recall one case in which it was necessary to bring expert evidence

regarding direction finding instruments of ships and radio from Ottawa, and all those costs being, under the law, directly a charge upon some municipalities with a seaguard coast, which has no particular interest, any more than any other part of Canada, for the protection of the revenue of the department. However, I am inclined to think there is a good deal to be said that in certain parts of the administration of justice the municipality may be assisted by the province and in some lines the municipality could be assisted by the Dominion, perhaps relieved by the Dominion, and I want to deal with that under the matter of jails, which is part of the administration of justice.

COMMISSIONER SIROIS : In the province of Quebec all these costs are borne and paid for by the province.

MR.FIELDING: That is true in Western Canada, but such has been the set-up in this province since the days of municipalities which followed Confederation that the charge is placed on the municipal body.

COMMISSIONER DAFOE: This set-up antedates Confederation?

MR. FIELDING: No, I think not, not the general municipal set-up. I may be wrong but I am not prepared to say. But the costs certainly of the administration of the criminal law were born by the county concerned in the days before we had municipal councils, when they were dealt with by the grand juries of our counties, and passed by the sessions of the Peace Board. I am told that not the present set-up but the system does antedate Confederation.

COMMISSIONER DAFOE: The idea antedated Confederation.

MR.FIELDING: The idea. There are twenty-two jails in the province which are maintained by the counties. We have eighteen counties but we have twenty-four rural municipalities. There is some overlapping there.

In the case of the smaller countries, particularly, it has been found that their area is too limited and their resources too inadequate to support a penal institution. A Royal Commission was set up in 1931 to investigate the problem. In its report it has given a very gloomy picture of the situation.

It said there was inadequate accommodation and in many of the institutions they were not properly staffed and no trained person there.

THE CHAIRMAN: That was a provincial commission?

MR. FIELDING: Yes, it was a provincial commission, which condemned very strongly the jail situation in the province of Nova Scotia.

THE CHAIRMAN: I think you should furnish a copy of that report to the Attorney-General.

MR. FIELDING: Of course I agree with the suggestion but I know what the answer may well be: That important as are the duties devolving upon the province in respect to the jails and the administration of justice, so many are their present problems and so short their financial ability to pay, that the first and most important duties of government perhaps come first. However, what I want to say to your Lordships is that certainly since 1867 there has grown a new conception of penology, there is a new standard of requirement for the care of those committed to institutions for breach of the law. In 1867 there did not ~~come~~ in the minds of the framers of the Confederation Act that local communities would be required to give the kind of care which modern penologists and reformers stress upon municipal councils should be given in their institutions.

THE CHAIRMAN: How are the penal institutions divided

in this province? Is there a dominion penitentiary in Nova Scotia?

MR.FIELDING: No, there is a Dominion penitentiary at Dorchester for the Maritime Provinces.

THE CHAIRMAN: That is for the whole Maritime Provinces?

MR.FIELDING: Yes.

THE CHAIRMAN: Then, is there any provincial penal institution?

MR.FIELDING: No, they are all local, municipal

THE CHAIRMAN: A man cannot be sent to the penitentiary for an offense, that is where the penalty is less than two years, is that not right?

MR.FIELDING: That is the law today.

THE CHAIRMAN: All convictions, where the punishment is less than two years, go to the County jails?

MR.FIELDING: Go to the County jails. We have such a prison in Halifax for the city of Halifax which is a common jail for the county.

It is interesting to note, as your Lordship has pointed out, that under the British North America Act, Section 91, the twenty-eighth power is "The establishment, maintenance and management of penitentiaries in the Dominion". And under section 92 (6) "The establishment, maintenance, and management of public and reformatory prisons in and for the province".

What I am suggesting is that there has been quite a change since the days of 1867, first, they had not then been so many years removed from the time when the breach of criminal law was punished by death. And in 1867 those violations of the criminal code in what were then known as felonies, - of course there was no criminal code at that time, - but those that were known as felonies were

receiving punishments in excess of two years in a great number of instances, whereas today under our system, our ideas on punishment have changed and the shorter sentence has become far more prevalent. In other words the burden that is on the municipality or the province that maintains the institution that cares for those under two years in sentence has increased to a far greater degree than was contemplated in the set-up under Confederation. In those days the penal law of Canada dealing with felonies was likely to be visited with a punishment in excess of two years and would be cared for by a Dominion institution. And indeed in this province of Nova Scotia and New Brunswick incarceration could be in a penitentiary, in the days of the provincial penitentiary, for a period of less than two years and that right is preserved in the earliest legislation, in 1867, in chapters 29 and 36 you will find a reservation that in the province of Nova Scotia and New Brunswick commitment might be for a period of less than two years. It was not long however before the standardization of two years, which was the rule all over Canada, was adopted for Provincial penitentiaries. With the result that there has been a heavy burden for the maintenance of jails insofar as the municipalities are concerned. Their argument is that the municipalities today cannot supply proper institutions for the care of these prisoners and we are not concerned with whether it should be done by the province or the Dominion. A good case might be made out that the authority which has the right of pardon and parole should also have the right of custody and control. And may I point out there are two ways in which that might be done. One might involve an amendment of the British North America Act and the other a change in the penal law of Canada reducing the two year period for

penitentiaries to a shorter period.

THE CHAIRMAN: Of course it was quite clearly contemplated that reformatory institutions should be provincial whereas the penitentiary was Dominion, but no doubt we will receive a good deal of light on this whole question when the Commission on Penitentiaries presents its report.

MR. FIELDING: I do not know whether the members of the Commission are familiar with a new publication, which is the official organ of the Nova Scotia Union of Municipalities known as "Public Affairs". It is a recent publication and it has a rather entertaining discussion on penal and prison reform in England and Canada, - in Canada by Mr. John Kidman of Montreal, in the December number of that publication. And while I don't know that I need stress as to whether the responsibility should be borne by the province or the Dominion, I am again submitting that the municipalities cannot maintain institutions where proper exercise and training and vocational training of the prisoners committed could be carried out.

THE CHAIRMAN: It is quite clear, Mr. Fielding, that small units, small municipalities, cannot give modern treatment to offenders in prison for the periods they are imprisoned there, I would agree.

MR. FIELDING: So that is the first submission to the Commission, that the responsibility for the jails at least if not other parts of the administration of justice should be taken from the municipalities and placed elsewhere.

THE CHAIRMAN: That is a much broader issue. Should not each municipality maintain its own jail for temporary commitment and so on, but if it is for a period of a year or a year and a half or perhaps even six months, there

should be a reformatory maintained to which the prisoners could be sent, and properly treated and cared for, and the municipalities would thereby be relieved of the burden of maintaining such prisoners.

MR. FIELDING: That is the position. The second representation which we made was that the municipalities should be relieved of the burden imposed upon them by law in health and other social services, public health.

The majority of the hospitals in Nova Scotia are maintained by subscriptions, endowments and gifts. They are, however, called public hospitals insofar as they receive in addition both provincial and municipal grants. In 1936 there were twenty-four such public hospitals receiving grants from the Province, and all but three of these had also municipal grants. The total amount of the municipal grants was \$36,000. This item of municipal expenditure has been fairly stable in the last decade, although a slight increase is shown since 1926 when the expenditure was \$26,000.

A far greater burden than these grants by the municipalities to these hospitals is the cost of the hospitalization for indigent poor. A municipality is responsible for the expenses of any hospital patient who has a settlement in that municipality. Their number has gone up considerably during the last fifteen years resulting in a sharp rise in the costs of hospitalization of indigents.

And there is appended a table of statistics showing that increased cost of hospitalization. I might say in the municipality of the County of Halifax, a municipality of about 30,000 population, we spent about \$40,000 last year in hospitalization.

THE CHAIRMAN: Is it not pretty generally recognized throughout Canada that the hospitalization of people within a municipality rests with the municipality, or with the larger areas if the areas are subject to a provincial grant, and the province does make a grant?

MR. FIELDING: Yes. The difficulty we have in our province, for example, we maintain a provincial sanatorium at Kemptville for the care of tuberculosis. The cost of the administration of that plant is borne by the province, but the municipalities pay for the patients that may be there on a certain rate which is fixed by the government. Similarly with the hospital at Dartmouth for the insane. But in the case of these other local hospitals in the province, those institutions are not adequate enough to care for that class of case and we think there are other classes of cases which equally, as well as tuberculosis and insanity, might be dealt with in some central institution and thereby relieve the local hospitals from their care.

The cost of the maintenance of corporation patients has become so heavy that whether it is to be cared for by a grant to the municipality or not is a matter that has received considerable study and the submission of the union is that it is in extent so great that it may well be assumed by the province rather than by the municipality. I think the principle however of provincial grant is sound, providing they are adequate, but with the hospitalization today they will have to be considerably increased and perhaps it would be cheaper for the administration by the province or the authority that would be sharing the expenditure to have the direct control of it rather than certain institutions that are under no supervision or control. We have set out in our submission

on page 11 the extent to which this has affected certain of the municipalities. May I say that the burden, while it is great, is not as large as it should be, that while hospitalization of our indigents under the law may be a municipal charge and persons presenting themselves to the institutions may have their fees at the institutions paid by the municipality concerned to the limit of the ability of the hospital to care for them, there is still a need for increased hospitalization, and the local hospitals are not able to give it in the degree that should be given if there is to be proper care, particularly of our tubercular patients. The need is greater than is being supplied although the cost has gone up about four times since the right of the local hospital to collect against the municipality has been made statutory in 1925. If you are studying those figures you may wonder why there is that sharp rise. Prior to that it was merely a matter of arrangement or agreement between the hospital and the municipality, today it is a matter of statutory right.

Then, shall I pass on to the homes for the mentally defective? -

Nova Scotia still clings to the county method of caring for the insane. There is only one provincial asylum, the Nova Scotia Hospital; the others are municipal institutions.

THE CHAIRMAN: It is not necessary to read it, if you just state briefly the substance of it.

MR. FIELDING: The effect of it is that at the bottom of page 11 we say:

The solution of the problem calls for a change to a system of fewer and more efficient institutions, supported by a larger unit than the municipality.

The Chairman and President of the Union has said something about dealing with mental cases and there is an alarming increase in that class of case in this province. And there is an urgent need that some authority should step in, whatever the authority may be, to care for this class, and it is a shocking condition of affairs in this day to find mentally deficient people in a home for the poor. It is difficult for them but far more difficult for the deserving poor who must find their refuge in poor houses of this province.

THE CHAIRMAN: It is a very serious situation and one that I would hope would soon be remedied.

MR. FIELDING: Perhaps I may at page 12 sum up as we do in the final paragraph there.

The important tasks entrusted to the municipalities by the provincial health act have hardly anywhere been carried out, nor have the local health boards displayed much activity except in the case of contagious diseases. The municipalities fully realize the value of and the need for increased health services but have hitherto not been able to afford them.

No prenatal clinics, no crippled children work done by the municipalities at all although they should be doing it under our Act, and that work is being borne wholly by voluntary associations in this province.

My intention, and the intention of the union, is to present to this Commission not only what we are required by law to do but the thought that we are falling short in our actual practice through financial stringency.

Then may I turn to the bottom of page 12, in the administration of poor relief. Nova Scotia is one of the few provinces in Canada which has a poor law modelled

closely on the old English poor law. The system of poor relief has become a tremendous burden. It was thought that the institution of the payment of old age pensions would relieve the burden on the municipalities of Nova Scotia but the advent of the depression and increased pressure of economic affairs has resulted in the expenditure for the poor continually mounting, even though the payment of old age pensions has been a relief.

The cost of unemployment relief has been the greatest factor contributing to the large increase of the municipal debt. I may say the poor relief in this province is generally confined to the industrial areas, that at the present time unemployment relief is being administered only in the city of Halifax and certain industrial areas, in small towns in Cape Breton. Elsewhere in the province we have done with poor relief. I may say in Western Nova Scotia there was no rural community that ever took up unemployment relief but certain of the towns did, but it has been discontinued. That burden has been heavy and we point out at the bottom of page 13 in 1936 the total expenditures of the town of Amherst were \$322,265. Of this sum \$102,926, or more than 30% was required for the support of indigents. And the population of the town was less than 8000, and the expenditure represented \$13 per head.

"As will be seen from these figures the burdens of relief charges have been distributed very unevenly among the municipalities. Those with the most severe unemployment have had to pay the largest relief bills.

COMMISSIONER SIROIS: You say on page 13 that the Old Age Pensions Act has not justified the expectations

and that the cost of poor relief instead of decreasing has increased. How do you explain that?

MR.FIELDING: The explanation is that economic distress has increased faster than could be absorbed even with the additional grants for old age pensions. There is a table, it is not the best table to show that, but some information on page 23 may be gained from that citation of the expenditure for the support of the poor in thirteen municipalities. For example you see in Canso, the old age pensions was payable first in this province in 1934. You will see in a number of instances there the expenditure for the support of the poor has increased from the years 1934 on. I do not know that that is the best table to show those figures because those towns were not selected for the purpose of proving that proposition, but if you take more rural municipalities, I have had the figure of Shelburne and Annapolis municipalities in my mind, typically rural or fishing municipalities, the large increase in the poor expenditures has continued notwithstanding the aid that has come to the municipalities through the payment of old age pensions. At the expense of being wearisome I do want to direct the Commission's attention particularly to the argument on page 14 of the brief.

It may be argued that all this is a thing of the past and that with only 6400 assisted persons in the province during November 1937, relief is no longer a problem in Nova Scotia. But this may only be temporary, for as the province depends on the export trade for the sale of a good many of its products, an adverse trend in the world markets would soon react unfavorably on the employment situation in the province, and would make

necessary once more a system of unemployment relief. For this reason the experience gained in the province with the present system may be briefly reviewed.

According to this experience, it seems rather doubtful whether the municipalities are the suitable authorities to take care of the unemployed. It should be the chief aim of unemployment relief to bring the unemployed back to work as quickly as possible. The municipalities, however, cannot do anything to realize that aim. They have no employment exchanges at their disposal and arrangements made with the existing exchanges maintained by the province have proved of little value. Nor do municipalities maintain public works of any great size and none in rural municipalities, by which unemployed could be kept fit physically and mentally and their willingness to work could be tested. This lack has proved a great handicap in the administration of unemployment relief.

All the municipalities could do and have been doing for the unemployed was to test their needs and their employability and to pay to them the dole, but they have not been sufficiently equipped even for this task. They did not have a properly trained personnel of social workers, nor is there room for them as long as the present poor law prevails. There has further in some sections been a certain danger of local politics coming into the field of relief administration.

And that could be covered by a larger administration.

Introduction of unemployment insurance will not solve these difficulties. Owing to the peculiar economic structure of the province, its dependence

on export markets and the fact that large districts depend on one industry, most notably in Cape Breton, the average spell of unemployment is too long to be covered by the benefit periods of an insurance system. Besides the number of persons who will be exempted from an insurance scheme - fishermen, sailors, waterfront workers, agricultural labourers, - will always be a very large one here.

I am basing that on the general unemployment scheme elsewhere. I do not know yet what it will be in Canada, but one will assume.

Some form of public assistance will therefore be needed for these groups who will have no claim to insurance benefits. To judge from the experience of the past, the municipalities do not seem fit to organize such a system. It may be more advisable to entrust that task to the governmental agencies which will be responsible for labour exchanges and unemployment insurance. In that way recipients of unemployment assistance would also be assured of equal treatment with recipients of insurance benefits in getting jobs through the employment exchange. They are easily at a disadvantage if the responsibility for the various groups of unemployed is divided between several governmental agencies.

Then, if I may pass on, we say under other social services that we have little or no services that we would like to have. We have little or no health service, pre-natal clinics and so forth. We need better educational facilities and more material aid for our poor. And a submission is made in respect to the erection of low rent houses, a request which comes to us from the city of Sydney

I do not think that in many other municipalities in the province there is that demand, but there is a very decided demand there for low cost house construction.

I do not know, Mr. Chairman, to what degree I should go into the brief which we have here on education. It has already been presented very fully by the province.

THE CHAIRMAN: Very fully discussed in the brief of the province.

MR. FIELDING: On page 16 we say:

All over the province student enrolments grew every year and an increasing demand became apparent for wider facilities for higher education as well as a manifest need for vocational and manual training schools of which the province was and is relatively destitute. At the same time, however, could be found a steadily growing number of school sections whose population, on account of increasing exigencies, became unwilling and unable to shoulder much heavier burdens of school taxation.

I think on page 17 perhaps it may be summed up that out of \$100 spent for education by the municipalities in 1936 \$81.50 had to be found by local taxation. There has been a very large increase in the provincial grants and we have some tables of the expenditures in education to be found in the back of our brief.

On page 24 the effect of them, I think, is to show that local districts have reached the end of their tether and it has had to come in increasing quantity from provincial grants. Teachers' salaries ---

THE CHAIRMAN: That was very fully discussed before us, Mr. Fielding, unless there is something you want to add to what was said.

MR. FIELDING: I don't desire to add anything to what

was said any more than to emphasize that the teachers in Nova Scotia are not adequately remunerated and their payment is not certain under existing conditions.

THE CHAIRMAN: Yes, there are some substantial arrears as has been pointed out in the brief of the province.

MR. FIELDING: And at the bottom of page 18, we have endeavored to sum up what we say:

This close connection between employment and vocational training suggests that the authority which will become responsible for the organization of the labour market should also assist vocational education. The trend has unfortunately been in the opposite direction with the withdrawal of Federal grants-in-aid to technical education. The loss sustained by the province amounted in 1936 to \$48,701.

That completes that section of the brief.

COMMISSIONER SIROIS: The organization referred to is the one you speak of at page 14, the organization of the labour market?

MR. FIELDING: Yes. That brings us to part 3 dealing with Municipal Finance.

THE CHAIRMAN: How do your rural tax rates run here? Let us put it another way: What would be the assessment of the average farm? I am not speaking now in the Annapolis Valley, but I mean where you have a farm of mixed farming?

MR. FIELDING: About \$800 I am informed. I may say there is a great deal that may be said about the improvement of assessment basis in this province. One of the things that has contributed to low assessments and high rates, is that certain charges are based upon the assessment.

THE CHAIRMAN: Yes, but I just want to get at what the average farmer would have to pay in taxes?

MR.FIELDING: The rates vary, perhaps three cents would be a fair average.

THE CHAIRMAN: That would be \$24.

MR.FIELDING: Yes.

THE CHAIRMAN: What would the land assessment be in the Annapolis Valley, in the fruit growing district?

MR.FIELDING: I have not that information. I could get it for you, Mr.Chairman. I may say that the assessments in Kings County are high and the rate in Kings County is .3.45. The assessments are at least double what I have mentioned.

THE CHAIRMAN: I would expect they would be a good deal more. I should think fruit growing land in the Annapolis Valley would be very valuable.

MR.FIELDING: What I meant to say was that some assessments are notably low. I mean the rate, the basis of calculation, in some of the municipalities they do not assess over 50% in value, whereas in Kings County that is not correct.

THE CHAIRMAN: You see it is impossible to form an opinion as to whether the municipalities in general are over-burdened unless one has some idea of the basis of assessment as compared with the real value and the tax rate of the municipality.

MR.FIELDING: Those are important factors, and another important factor is the amount of money that the average citizen has to deal with.

THE CHAIRMAN: Quite.

MR.FIELDING: One of the difficulties we have in this province is that in rural districts and in fishing districts very largely the communities do not handle much money. Very often their supplies are supplied by a wholesaler or dealer and all they do with their catch is to have a bookkeeping entry and the difficulty about the

collection of taxes is we have to get money while other people may get services or goods. That is the difficulty in the increasing of the rates on agricultural or fishing districts in Nova Scotia.

In our brief on page 19 we point out that income from commercial enterprises in this province is insignificant, and that the burden is on the land. I think that probably has been presented to you in every province, the increased burden on the land.

THE CHAIRMAN: Yes.

MR. FIELDING: And on page 20 we deal with the exemptions. May I say that the city of Halifax will deal more particularly with that in their brief. I should make the explanation that the assessed value of C.N.R. property in the city of Halifax is shown here as \$16,000,000. That is not only the Canadian National Railways but also the Halifax Harbour Commission. It should be transportation rather than the railways. That amount is the amount which is quoted. I think the railway taxation is under five million dollars and the balance is on piers and land used in transportation. We have suffered and do suffer from a fiction of the law under which the Canadian National Railways operate in this province, operate the Inter-Colonial Railway, which is the property of the Crown, and the matter will, I think, be more fully dealt with in the brief presented by the city of Halifax.

If I can take one moment over the time I think I can conclude the submission. We say on page 21 of our brief, (although no default has occurred in Nova Scotia in our municipalities, when our debt has jumped,) with some degree of shame, that it is because of the relatively small service that we have been rendering in certain areas, that we have not gone forward and rendered to the people

what they have been entitled to receive from municipal government.

This creditable record is not due however to any affluence which they enjoy but to the fact that they have restricted their services to a very meagre scale, and below what it is in the public interest should be provided.

The solution of the problem will require either the reduction of the amount of the burden placed upon the Municipalities by relieving them of some of the responsibilities which now rest upon them, or the supplementing of the revenues they can obtain locally by grants from larger governments, or some combination of both these methods.

THE CHAIRMAN: Do the schedules attached indicate the amount the municipalities had to pay, say, for unemployment relief, for education, for the administration of justice and so on?

MR. FIELDING: They do on account of administration of justice, but they do not for unemployment relief. They deal with the support of the poor on table two.

THE CHAIRMAN: The poor are properly divided into two classes, those who are indigent by reason of age, physical or mental debility short of insanity, and those who are unemployed because no work can be obtained, and the two classes are quite distinct.

MR. FIELDING: I regret to say that there is no table which shows the unemployment figures as distinguished from the poor figures.

THE CHAIRMAN: If you have such figures available, that is unemployment in the sense of unemployment relief as distinct from the truly indigent which existed before the depression and will exist after the depression has

departed, I will be glad to see them.

MR.FIELDING: The position, as I suggested to your Lordship, is that in Nova Scotia today only the city of Sydney and two or three of the mining towns have unemployment relief, and the other figures which we have dealing with the poor would be what your Lordship required, except for those areas.

THE CHAIRMAN: Yes.

MR.FIELDING: I thought the city of Halifax, which is the only substantial expenditure, would perhaps be dealing with that, but I do not know whether it is contained in their brief. But we can supply you with those figures.

THE CHAIRMAN: Thank you very much, it has been a very interesting presentation. We will rise until 2:30 P.M.

(Page 4270 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

MR. STEWART: My Lord, the Union of Municipalities Brief will be marked Exhibit 154.

EXHIBIT No. 154: The Union of
Municipalities Brief.

MR. STEWART: In addition to that, Mr. Fielding has two or three other pamphlets which he would like to file.

THE CHAIRMAN: Yes.

MR. FIELDING: Your Lordship suggested I might have some figures in regard to relief in Nova Scotia and they are in the provincial report of the Deputy Minister of Nova Scotia. I would like to tender that report. At the back of it there are extended the expenditures under direct relief in Nova Scotia for the year 1935 - 1936.

EXHIBIT No. 155: Annual Report of
Nova Scotia Department
of Labour.

MR. FIELDING: Along with that, with your permission, I would file an address on unemployment and unemployment insurance, a preparation made by Dr. L. Richter, of the study of unemployment relief in the province, which might be of some assistance.

EXHIBIT No. 156: Pamphlet on Un-
employment and Relief
in Nova Scotia by
L. Richter.

MR. FIELDING: I made reference this morning to an article in the Public Affairs Magazine, and if it would be of any assistance to the Commission I would be delighted to file that.

EXHIBIT No. 157: Public Affairs
Magazine, Dec. 1937.

THE CHAIRMAN: The next is the Brief of the City of Halifax.

MR. WALTER MITCHELL, MAYOR OF THE CITY OF HALIFAX was called.

MR. MITCHELL: Mr. Chairman, and members of the Commission, I am very pleased to welcome you to Halifax on behalf of the City and to thank both you and the Provincial Government for the opportunity afforded the City to present our brief to you.

As you are aware, we are a very old City and the forces which originally tended to aid us are now slowly throttling us. Founded as a fortress and the most important strategic point on the East of Canada, large areas of land were taken by the Crown. In later years, we became a great shipping port - in fact the Eastern Gateway of Canada - and again the Government stepped in and increased our shipping facilities at great cost to the city from a tax revenue viewpoint. Both of these actions have had the tendency, under modern conditions, of imposing on the taxpayers of the City of Halifax what we consider, a very inequitable load. We, as taxpayers of Canada, through general taxation, pay our proportionate share of defense and government works, but we, as taxpayers of the City of Halifax in addition to this, have to bear the brunt of all services to these properties, which, in our opinion, should be a fair charge against all the taxpayers of Canada.

Since this problem of ours is more or less unique in the Province, we were, therefore, unable to have either the Province or the N.S. Union of Municipalities act for us, since their problems are vastly different from ours.

With your permission, I will call on Mr. Bethune, the City Solicitor.

MR. C.P. BETHUNE, Solicitor for the Corporation of the City of Halifax, was called.

MR. BETHUNE: Mr. Chairman, and gentlemen. We appreciate this opportunity of laying before you some of the particular problems which are resting upon the city, and which we feel are due to the fact that the Dominion of Canada is largely

represented here in the city as the owner of a great deal of real property. It is felt by us that it was not the intention of Confederation that one portion of Canada should bear an undue proportion of the burden of the central government, particularly when that burden is caused by an excessive proportion of government property located in that particular portion of the country, and which results in greater expenditure and great inconvenience to the particular portion of Canada in which it is situated.

Our claim, - or bearing in mind what Your Lordship said the other day, that this is not a claims commission so perhaps I should not use that word - but our submission is mainly financial. We feel that by a proper re-allocation of the revenue of Canada that our troubles can be alleviated; in other words, we claim a right to tax, or in the alternative, a grant in lieu of taxation of government lands in the city. By the time I have completed^{the}/submission I may narrow that down to certain portions of government property in the city, but you will have noticed that our submission is mainly financial.

The first part of the submission deals with certain statistical and similar information which, it is felt, you should have before you. The annual revenue required by the city to operate in one fiscal year is stated on page 2 to be just over two million and a quarter dollars, of which \$48,590 is a tax imposed on the owners of real estate in the city, by the province, known as the provincial highways tax, which was referred to this morning in the submission on behalf of the municipalities. That works out at about \$38 per capita, on each of the 60,000 persons estimated to be residing in the City of Halifax. Four fifths of that amount comes from direct taxation on real property in the city.

THE CHAIRMAN: What is your tax rate in the city?

MR. BETHUNE: Our tax rate is 3.62 per hundred, plus 10¢ for the highway tax, making a total of 3.72 on real estate, and we also have an occupancy tax.

THE CHAIRMAN: In mills, you mean?

MR. BETHUNE: In mills, 36.2 or 37.2 with the highway tax.

THE CHAIRMAN: In addition to that you have what other taxes?

MR. BETHUNE: An occupancy tax. Four fifths of the amount we raise comes from the owners of real estate. On page 27 you will notice the way that is divided. We have two types of occupancy tax; one on persons occupying real estate for business, that produces 275 thousand odd dollars a year. We also have a tax on persons who occupy real estate for the purpose of household or for residence; and that is shown to produce \$111,000 per year. Then we have approximately \$25,000 from poll tax on persons who are not otherwise assessed as occupiers or owners of real property; and a special tax on banks and miscellaneous companies, which produces about \$39,500.

So that our total revenue is \$2,265,000, of which \$48,590 is paid directly to the provincial government.

THE CHAIRMAN: Mr. Bethune, in regard to taxes on real estate, does not your tax include improvements?

MR. BETHUNE: No, that is a separate assessment entirely, for local improvement.

THE CHAIRMAN: I do not mean local improvements, but on an unoccupied lot as compared with a lot built upon?

MR. BETHUNE: It includes everything.

THE CHAIRMAN: The tax is on the total value?

MR. BETHUNE: Yes.

THE CHAIRMAN: So that a person who has a residence pays a tax on the total value of his house and lot, and also a special household tax?

MR. BETHUNE: Yes, or if the owner does not pay that tax, the occupant pays it.

THE CHAIRMAN: What is the basis of your assessment? I am perhaps taking you out of your course; I do not want to do that. Just proceed the way you prefer.

MR. BETHUNE: Of that particular amount - I would just like to deal with this phase of it and then I will deal with the question Your Lordship raised, - of that amount we have endeavoured to divide it into controllable and uncontrollable expenditures. Of that, \$733,481 is the amount which we have a certain amount of control over, but it is not absolutely controllable, and that breakdown is shown in "Schedule B," which is on page 26. It shows the matters on which we expend our income. The uncontrollable expenditures amount to just over a million and a half dollars.

THE CHAIRMAN: What is meant by "joint estimates"?

MR. BETHUNE: That is joint expenditures which the city of Halifax, the town of Dartmouth, and the municipality of the county of Halifax share equally, for the maintenance of the courthouse, and certain other matters, - expenditures that are made for the common good in this particular district. It is divided so that the city of Halifax pays by far the largest fraction of that. The rate was struck a good many years ago, and has never been changed.

THE CHAIRMAN: Then you have "miscellaneous services". What is included in that?

MR. BETHUNE: Those are grants to various organizations, Red Cross, Children's Aid Society, and various other items of a similar nature, poor associations, and, as a

matter of fact, they are the donations that the city makes to public local bodies to enable them to carry on their work.

THE CHAIRMAN: I wonder why you put them under, "uncontrollable expenditure". Normally, they would be under "controllable." You may feel there would be no justification for reducing them?

MR. BETHUNE: I was in error when I made that statement. It really applies to payments made to institutions for feeble minded children and adult prisoners, the expense of the indigent poor in the Victoria General Hospital and other local hospitals throughout the province, for which we are liable to pay under the provisions of the Act.

THE CHAIRMAN: I can quite understand that; that is uncontrollable.

MR. BETHUNE: That is what that item covers. You will notice in the uncontrollable division, grants and sundry services, \$95,920. That is the item that I was referring to. The other deals with special legislation, I think there is a portion of that where we are obliged to pay under the provision of statutes, certain obligatory payments, and those are the expenses I gave Your Lordship.

THE CHAIRMAN: Yes, I can quite understand that.

MR. BETHUNE: On page 3 and following on page 4 we have set out the provisions of our taxing statutes, the basis of the taxes, and the persons who are liable therefor. Now, the question which Your Lordship asked about the incidence of the tax was, how it is arrived at.

THE CHAIRMAN: The basis of valuation.

MR. BETHUNE: That is shown at the middle of page 3:

"All real property within the city shall be valued by the assessor at its actual value at the time of assessment."

The ~~comment~~ that appears in the Brief as to the point Your Lordship raised is shown at the top of Page 3:

"All assessable real property in the City of Halifax is assessed on a valuation which very closely approximates the actual value of the said property, and that in some cases the assessed value exceeds the market value of property."

Then it proceeds to explain that the assessment is of two kinds.

THE CHAIRMAN: You are referring to other municipalities in the province, are you?

MR. BETHUNE: I think that goes farther than the province, from some reading I have had.

THE CHAIRMAN: So far as the matter has come before us, it would mean that city real estate is assessed well up to or above its value;

MR. BETHUNE: Well, it is well known in this particular city, My Lord, that it is practically impossible to sell any piece of real estate for the amount of its assessed value - at least at the present time. That is universal in the city.

THE CHAIRMAN: That is quite true, unfortunately, throughout Canada. I know that in Toronto there have been several buildings torn down, although in a good state of repair, just because the owners did not feel they could afford to pay the taxes upon the improvements. Now they have only to pay the tax on the real estate.

MR. BETHUNE: I do not wish to take up your time by reading this; if you would have the opportunity to look it over, I think it is self-explanatory. I would like to make this observation in respect to the highway tax; there may be some persons with the idea that \$48,000 is for the purpose of keeping up our own streets in the

city. The streets in the city of Halifax are maintained in full at the expense of the tax payers of the city of Halifax.

THE CHAIRMAN: I think in that respect you may have a grievance, or complaint, which some other cities that have presented Briefs have not. Their complaint was, not that they had to pay an additional tax, but part of the revenue from sales of gasoline did not come to the city.

MR. BETHUNE: We think in regard to problems of that kind that we should be able to adjust them with the province ourselves.

THE CHAIRMAN: Certainly, and the same with this particular tax.

MR. BETHUNE: I merely incidence that to show the amount of taxation that is imposed on the owners of real estate in the city, to show that we are pretty well up to the hilt, as far as that goes.

The second division, on page 5, deals with the value of all the real property in the city of Halifax, and the proportion of same which is exempt from taxation for various reasons. Now, before going into that if I may refer you to schedule C, which is a map attached to the submission. That map, as you will see, is in three colours, two colours apply to the property of the Dominion of Canada, the red and the purple, and the green colouring indicates property, other exempt real property in the city. The railway properties practically surround the city. The National Harbour Board Property is on the left hand side, showing the piers, The military and naval properties are located about in the centre and at the bottom. The administration portion, - the portion taken up by administration buildings, is very small in size but high in value

and that appears just a little bit to the right of the legend.

THE CHAIRMAN: There are quite a number of purple patches.

MR. BETHUNE: There are a lot of purple patches, My Lord, it is quite true, and when I tell you the amounts represented by those patches, it will be seen that in addition to the location of these properties, the amount of these properties is very extensive.

The total value of all the real property in this city is eighty-nine million odd dollars, while the value of all the exempt property is \$40,500,000. When that forty million is broken down into its component parts, the federal government is the owner of \$21,620,000 worth.

THE CHAIRMAN: What is the basis of valuation of the railway and harbour property?

MR. BETHUNE: It is valued on the same basis as the ordinary real estate; the assessor values it every year, and we have a supplementary report each year on all the exempt property in the city. Out of the \$40,520,000 we have \$21,620,000 federal, \$3,057,000, provincial, \$5,060,000 City of Halifax, \$282,000 of the county.

THE CHAIRMAN: Why is the county property exempt?

MR. BETHUNE: That is shown in Schedule G; the county court house and jail. It is vested in the county and the City of Halifax contributes to the maintenance of the building, but it is owned by the county.

Those four properties are all governmental properties of one kind or the other. The remainder of the total of the exempted value of \$40,520,000 is \$9,499,000, which is the total value of the charitable institutions, churches, educational institutions, Roman Catholic Episcopal property, convents, cemeteries, and miscellaneous other exemptions

under special statutes.

THE CHAIRMAN: Mr. Bethune, so far as the Dominion Government property is concerned, is there any variation, or do you say it is all public utility property? It is not all?

MR. BETHUNE: No.

THE CHAIRMAN: Have you broken it down?

MR. BETHUNE: Yes, My Lord, on page 6 in the third division, it is shown, the \$21,620,000 worth of Dominion Government property is broken down there; military property, \$2,419,900; naval property, \$1,346,520; railway property, \$4,829,600; National Harbours Board, \$11,316,400; and administration buildings, \$1,708,000. By far the larger portion is taken up by the commercial properties of the Dominion Government, the National Harbours Board, and the Canadian National Railways.

THE CHAIRMAN: I assume that these figures for the National Harbours Board and the Railway property are not based on cost?

MR. BETHUNE: No, I do not think so. The cost may possibly have been known to the assessor but if he were assessing correctly he would not be taking that alone into consideration.

THE CHAIRMAN: It is rather difficult to assess the value of harbour property; you can assess the value of the buildings, and the land, I suppose.

MR. BETHUNE: My Lord, most of the properties in question here consist of concrete piers and docks, which can be figured out, - the value of those docks, grain elevators, and a large cold storage plant, they are buildings so to speak, and we have had those appraised independently through our routine assessments, and I assume they would be on the same basis that a private individual would be

assessed.

COMMISSIONER MacKAY: There would be some comparable basis. Would you take into account the privately owned docks and warehouses along the waterfront.

MR. BETHUNE: That has given us a great deal of trouble just at the present time. We find that the business from the privately owned wharves is absolutely gone to all intents and purposes, - they are vacant, there are no ships coming into them, and the wharves are rapidly going to pieces. Most of them are wooden wharves. One concrete pier, I believe, is the Furness Withy Pier, they have some of their own lines coming in there. But the wharves that were used when Halifax was an active port doing a tremendous business with the West Indies, the privately owned wharves running along Water Street have, of recent years, - I think since the commencement of the extensive operations of the Halifax Harbour Commission, have been deserted. You can go down there at any time and see them lying empty, without any shipping there, and it is quite natural to be expected that any ships coming to the city are going to tie up where they have a line of railway coming down to the boat, and where they have their ship warchousing facilities offered to them; where, if it is necessary that any of their products have to go into cold storage, with the cold storage right adjacent to the dock. If the ships are here for grain, the grain elevator is there, and it is certain of the shipping of the city, and that of the Dominion of Canada.

It will be seen that more than three quarters of the value of ^{exempted} real property in the city is exempt on the grounds of governmental occupation. It will also be noted that more than one half of the exempt property is

property of the Government of Canada, and this property is nearly twenty-five per cent of the total value of all the real property in the city.

Now, there are no taxes whatever coming to the city from any of the governmental properties. I propose shortly to deal with the question of the government carrying on business, and I feel that is the strong point in our submission, that when the government is carrying on a business which is the same type of business as is carried on by other persons or corporations who are liable to be taxed, that the government should submit to the same restrictions and obligations as a private individual or corporation. Your Lordship, was going to ask a question?

THE CHAIRMAN: No, I was just thinking that there is that clear distinction; but I suppose any places that have facilities would be exceedingly anxious to get this governmental expenditure. I don't know whether that is any answer at all, to your argument, - I do not think so. But no doubt the government was strongly urged to make these expenditures, including the harbour and the railway, and so on. Was it not?

MR. BETHUNE: I have no doubt that is true, but I am presenting this on behalf of the City of Halifax, not on behalf of the individuals comprising the city, and although it may benefit the contractors who erected it, and it ^{have} benefited certain individuals who obtained employment therefrom, it has injured the other private owners of wharves, who were large contributors to the revenue of the city, and therefore it has injured the city due to the reduction in value of the assessable property, on which we could levy a tax. Therefore, it really has not been an unmixed blessing; it may have

been good, as I have said, for some persons.

THE CHAIRMAN: Most government buildings are apparently considered unmixed blessings, but I can see from your point of view that there is a difference here.

COMMISSIONER ANGUS: Did the city itself ever press for docks or hotels, or expenditure of any kind by the railways?

MR. BETHUNE: I think the hotel question should be considered separately from the docks. I can speak to the hotel question; at some time there was an agitation that we did not have sufficient accommodation in the way of hotels. A private corporation was formed in the city, after some suggestion had been made from time to time, the Canadian National Railways proposed to build a hotel here. The Canadian National Railways hotel was put off for a considerable length of time, and the local corporation proceeded to put up a hotel, and no sooner had it constructed this hotel than the Canadian National Railways put up their hotel here. I think that is a fair story of the history of the hotels in Halifax. Now, I feel that we are well equipped with hotels, and there are some taxes coming from the Canadian National Hotel.

THE CHAIRMAN: On what ground do you get taxes?

MR. BETHUNE: An ex gratia payment, just as an act of grace, not on any legal basis, and it is not on the value of the hotel as a building.

COMMISSIONER DAFOE: Would not the improvement of your harbour by the Dominion Government at least under normal conditions, tend to increase the business of Halifax as a port?

MR. BETHUNE: Well, one would think so, but it has not.

COMMISSIONER DAFOE: Of course, the times are abnormal.

MR. BETHUNE: Well, even supposing business did come to Halifax through these facilities, it would not benefit the corporation to any extent.

COMMISSIONER DAFOE: Indirectly, it would, considerably.

MR. BETHUNE: Well, I think it would be very indirectly, Mr. Commissioner. It is a matter of great concern to us to see our waterfront, - the portion of the city in which we are now sitting, this portion from here to the waterfront used to produce by far the larger bulk of taxes of the city of Halifax, the properties were exceedingly valuable. Now you cannot sell them, people will not buy them unless they are practically given away. There must be some cause for that, Halifax harbour is still as good as it ever was; the railway service still comes to Halifax. Now, even supposing what we had has been injured by present economic conditions, it must be expected that which has now been put here has affected even the little we had, and even though we would normally expect to get a certain amount of business from our old waterfront properties, even in the time of depression, they would still be doing some business. Now, even with the time of depression, the little business they might have expected to get at that time has gone to the more modern properties.

THE CHAIRMAN: You draw a clear distinction between the Crown property used for business purposes and the Crown property used for transaction of public purposes?

MR. BETHUNE: I think we have to divide it into three groups; the business properties, railway properties, and the harbour board; the national defence properties; and the administration properties. The Canadian National

Railways and the National Harbours Board are here to develop this portion of Canada as a national port, we have been told that; it is a national undertaking for the good of Canada as a whole, so that Canada will have a winter seaport, open at all times of the year, so that Canada can export its products during the winter when the ports in the eastern part of the Dominion, Montreal and Quebec, are frozen up. For that reason, the expenditure was not made for the benefit of this little city of 60,000 people, when they had the property here valued at somewhere around \$11,000,000, it was made for the good of Canada. We have been told that, and we assume that what we have been told is quite correct.

Now, we will take the military and naval properties. Are not those properties located here because it is a strategic point from the point of view of defense?

THE CHAIRMAN: Have you considered this, Mr. Bethune; I ask it because I am quite ignorant on the question. In regard to military and naval properties in Great Britain or the United States, are they taxed for municipal purposes?

MR. BETHUNE: I don't know, I have never learned that, but I would assume in England that the exemption to the Crown would be the same as we have here, they would be exempt there. I do not know the situation in the United States.

But this Commission is considering the relationship which exists between the provinces-and incidentally, I suppose, the municipalities in the province, - and the Dominion, under the British North America Act.

THE CHAIRMAN: What you are submitting is perfectly relevant; the questions I am asking are only for the purpose of elucidating the points.

(Page 4290 follows)

I feel that since it is necessary for the defence of Canada, as a whole, to have those properties here, and since their cost is an undue burden on this city, that we should be compensated for this by the rest of Canada.

COMMISSIONER MacKAY: Do you derive any revenue out of the payroll of these different garrisons?

MR. BETHUNE: At the turn of the century there were approximately 5,000 men stationed here, and the revenue derived from them was quite worth while. Now, there is a garrison of approximately 500 men occupying the same properties. If the same number were stationed in the garrison here as there were at the turn of the century, perhaps we would not be saying anything about this situation. So far as the administration buildings are concerned, I have no doubt they are here possibly for the good of Canada generally and more particularly for the good of Nova Scotia.

THE CHAIRMAN: They are here to meet the needs of the people of this province.

MR. BETHUNE: I would agree with your Lordship on that point.

I think number three can be considered as a separate proposition and the submission of the city that it should be recompensed for the presence of these properties, is a matter which I hope will be carefully and prayerfully considered.

THE CHAIRMAN: I think you should do the praying.

MR. BETHUNE: The question of military and naval property is dealt with on pages seven and eight. It should be noted, incidentally, that the value of military and naval property within the city exceeds the total value

of the property of the provincial government here. Now, before going on to the question of the exemption of Crown property, which is dealt with on page eight, the fourth chapter--

THE CHAIRMAN: What do you say about provincial government property, do you say that should be taxed or not?

MR. BETHUNE: I have the permission of the Premier to say on his behalf, and I believe he is speaking on behalf of the provincial government, that they agree to this principle, where the government is carrying on business for gain these properties should be taxed. Any place in which they are carrying on business--perhaps the Premier would back me up in that statement; he gave me permission to make this statement.

THE CHAIRMAN: I think something was said in the course of the discussion during the presentation of the government Brief that would rather indicate that to be the case.

HON. MR. MacQUARRIE: Yes, Mr. Chief Justice.

MR. BETHUNE: The fourth submission deals with the exemption of the Crown for local improvement charges. We cannot bill the Crown for the laying of sidewalks, sewers or paving streets; we cannot bill the properties concerned.

THE CHAIRMAN: That has always been the law, has it?

MR. BETHUNE: It has been the law here.

THE CHAIRMAN: I think it must be the same everywhere; I do not think there would be any intentional discrimination against Halifax in such a matter.

MR. BETHUNE: There have been occasions upon which the matter has been taken up with some of the particular departments concerned. They have agreed, as an act of grace, to pay it. You will find one illustration where they refused to pay, at the bottom of page eight. This is an illustration of how the Crown exemptions have borne heavily upon the city of Halifax.

"The City of Halifax laid a concrete sidewalk along the south side of Quinpool Road and a portion of this sidewalk passed in front of certain property, fronting on Quinpool Road and owned by the Crown in the right of the Dominion, for the Canadian National Railways. The property concerned consisted of a large field. The Crown refused to pay the sidewalk charges and subsequently sold this property to private interests. All attempts made by the City to collect the sidewalk charges were of no effect against the Crown because of its exemption and against the purchasers of the property, because they, not being the owners at the time the sidewalk was laid, were not liable for the charges. The result is that the purchaser received the benefit of the sidewalk free of charge and the Crown has repudiated the assessment and has further failed to endeavour to protect the interests of the City by charging an additional amount in the price for which the property was sold, and paying such amount to the City. The natural inference is that due to the laying of the sidewalk and the resulting improvement to the locality in which the property in question was situated, the Crown was able to effect

"a sale of the property at a higher price."

THE CHAIRMAN: Local improvements are, I assume, based on a certain assessment each year for a period of years.

MR. BETHUNE: No, the cost of laying the sidewalk is divided by the city and the abuttor; they are allowed to pay it in installments over a period of five years.

THE CHAIRMAN: You have a short period here, ours is much longer. Was it a wooden sidewalk?

MR. BETHUNE: A concrete sidewalk? Ten years is the period over which an abuttor can pay for a sewer.

THE CHAIRMAN: You want a refund of the extra amount which the Crown got for that property by reason of the fact the purchaser would not have to pay for local improvements?

MR. BETHUNE: We have already discussed the matter with the Department, but I am afraid we will have to accept their decision. As to the payment of local improvement charges, I believe the attitude of the government of this province is the same, that this should be paid for by the grants.

THE CHAIRMAN: What about local improvement charges on churches and charitable institutions?

MR. BETHUNE: They are liable for those; they pay them. The only property which is not liable for local improvement taxes, is Crown property.

THE CHAIRMAN: Only Crown property is not liable?

MR. BETHUNE: Yes, my Lord, and I think that is simply based on the fact that the Crown is not mentioned in the statute or the statute does not apply to the Crown. Churches exempted are specifically made liable

for local improvement charges under our law.

THE CHAIRMAN: You will probably run up against the provisions of the B.N.A. Act, if you attempt to impose a tax on Crown property.

MR. BETHUNE: Your Lordship understands what a strain it is upon the city's finances to lay sidewalks which pass these exempted properties.

THE CHAIRMAN: It seems to me, both with respect to that and the business property, that you have presented very strong arguments, Mr. Bethune.

MR. BETHUNE: My Lord, these sentiments are felt very strongly here. It is not for the sake of getting something for nothing that we make these suggestions to you.

THE CHAIRMAN: In this case, in the local improvements of which you speak, these benefits accrue not only to the government property but all the property on that side of the street profits from the sidewalk when it is laid. You say you are not able to make any charge.

MR. BETHUNE: Yes, the fifth submission on page nine deals with the claim of the city for services rendered and supplied by the city which are for the benefit of the property of the Crown as well as for the property of the citizens who pay the taxes. I refer specifically to the supplying of the Fire Department and fire fighting facilities, fire alarm telegraph system, which we maintain, as well as police protection. These services are supplied by the city and they are available to the Crown, therefore, we expect to be recompensed by the Crown for them.

THE CHAIRMAN: These are partially local improvement matters, are they not?

MR. BETHUNE: I agree, with that, and if they are liable to pay local improvement taxes, then that takes it out of this category. Otherwise, we submit it is a service which we supply to the Crown, which benefits the property of the Crown and which costs the city a certain amount of money for which the city is not recompensed. Just as one illustration in the matter of fire protection. There is a wooden garrison in the city housing a number of military men and their families. This building is in the district with many other wooden houses. If fire broke out in this building, it would spread very rapidly, and it would be necessary, for the protection of the adjacent property to have fire fighting equipment on the scene as soon as possible. This means that we are maintaining an adequate fire department, not only for our own protection, but for the protection of the Crown as well. This means that we have to keep, perhaps, a larger fire department than we would require otherwise.

COMMISSIONER MacKAY: Does the Crown submit to municipal regulations concerning the construction of buildings?

MR. BETHUNE: The Crown is not subject to those regulations. The Crown can build a wooden building wherever it likes.

COMMISSIONER MacKAY: The Crown is not subject to these building laws, at all?

MR. BETHUNE: No, because the statute does not reach the Crown. For instance, we will take the district

on Sackville Street. In this case the Royal Artillery Barrack and the Barrack of the Royal Engineers is involved. The quarters for these men are long wooden buildings and a good many families reside in them. I think if any portion of it were to burn the whole building would be doomed. According to our building laws, any buildings which are replaced in this district must be replaced by brick buildings. In order for us to avoid a catastrophe in this district, it is necessary for us to have a larger, more efficient, fire department and incur a greater expense than we would ordinarily. Our submission is, simply, that these services benefit the Crown and some payment should be made towards their maintenance. For instance, in the Pier 2 fire, we lost several hundred dollars worth of equipment in putting out the fire. We finally received payment of the bill from the Dominion, but we had to go after it. The account was passed as an act of grace.

I have a further reply to give to the question of Mr. Commissioner MacKay concerning the building regulations. If, for instance, that R.A. Park property were destroyed, it might be reconstructed with wood. If the government had to abide by our building regulations, it would have to be constructed of fireproof material. Perhaps, I would save some time by referring now to the eighth point in the Brief which is, the non-submission by the Crown to municipal by laws. Under this heading may be included such things as snow removal regulations,

THE CHAIRMAN: Nature seems to look after you in that respect.

MR. BETHUNE: It has this year. Other regulations

which would come under this heading would be, "Sanitation and Public Health regulation, including plumbing and electrical wiring regulations. Building construction regulations and town planning regulations. This is a very short review, I think, of the matters which would come under such a heading. Unless such matters are universal in their effect, any benefits which might accrue from them would be absolutely nullified.

The sixth division is dealt with on page ten of our submission and refers to the effect of government ownership of buildings.

THE CHAIRMAN: You have dealt quite fully with that, have you not?

MR. BETHUNE: This phase of it is caused by the construction of separate governmental buildings. We do not regard this as very important and I think it would be quite satisfactory if I left that submission to you as expressing the view of the city. I think it says about all which can be said on the subject. I would

like, if your Lordship feels that the matter of governmental competition in business has been sufficiently dealt with if we could pass over the seventh division?

THE CHAIRMAN: You mean by "governmental competition" what you have already describe in reference to the docks, the dock facilities and such matters?

MR. BETHUNE: The national Harbour Board, the Canadian National Railways and any other business which the government is carrying on which is in competition with private interests and carrying on business for gain.

THE CHAIRMAN: Unfortunately, there is not much gain in carrying on the Canadian National Railways at

the present.

MR. BETHUNE: That is quite true.

THE CHAIRMAN: However, that does not affect your argument.

MR. BETHUNE: The same thing would apply to any individual, he does not have to show a profit on his balance sheet before he is liable for taxes. I do not propose to go over this matter in detail, unless you particularly wish me so to do.

THE CHAIRMAN: Just present it in whatever way you think would be the most effective, Mr. Bethune.

MR. BETHUNE: We are submitting our Brief to you, and I think it is said in the Brief as well as I could say it, so there would be nothing to be gained by going over it unless you wish me to do so.

THE CHAIRMAN: It is quite satisfactory to leave it that way.

MR. BETHUNE: The ninth division on page seventeen deals with the question of direct or unemployment relief.

This is regarded by us as a serious question. This direct unemployment relief is a burden which shows no indication of ceasing, and at the present time has increased the indebtedness of the city of Halifax by \$500,000. In addition to that, probably during the last five or six years, the total cost for these years has been approximately \$200,000. We have distributed \$2,000,000.00 worth of unemployment relief in this city. There is no doubt that there are persons in this city who deserve assistance, but along with those persons there are many others who could exist without receiving direct relief. So long as employable persons know that

direct relief is available, the incentive to save their earnings while they are employed is destroyed. It must be admitted, however, that direct relief cannot be cut off instantaneously. Some other method of handling the situation should be considered.

THE CHAIRMAN: No direct relief has been granted in the city of Halifax without the approval of the city, has it? Has the city not been primarily concerned with the distribution of relief?

MR. BETHUNE: Yes, it has.

THE CHAIRMAN: Then, are you not complaining against your own actions?

MR. BETHUNE: It was felt at the time relief was first instituted that the need for it would not last very long. It was felt that this unemployment crisis would only last a few years and that prosperity was just around the corner. After this crisis was over, it was thought we would be able to return to our own system of poor relief. Unfortunately, recovery was delayed to such an extent that a new class, I might say of pauper, has been created. A person works for twenty-six or thirty weeks at some seasonal occupation, spends what he earns and as soon as he is through he goes on direct relief.

THE CHAIRMAN: What was his position before the distribution of relief?

MR. BETHUNE: I think a good many of these persons spread their earnings of the twenty-six weeks over the fifty-two weeks. I think that is the way they got along. This applies to dock workers and other workers engaged in similar employment. Of course, at that time, we had a number of privately organized charitable institutions which had substantial funds at their disposal. These

organizations helped these men out until they were able to get other odd jobs. As a matter of fact, I am making a personal submission, it seems to me that direct relief has sapped the initiative of a great many employable persons in Canada. They feel that they do not have to save while they have employment because they know when their employment ceases they can go on relief. It is a fact that some people can live solely upon the relief order. The relief orders which are given in the city of Halifax start at \$1.50 and go as high as \$7.50 a week. It seems to be possible for some people to live solely upon this money.

THE CHAIRMAN: The maximum order such as \$7.50, who would receive that?

MR. BETHUNE: A married man with seven or eight children, and they also get bread, fuel and milk.

THE CHAIRMAN: What about rent?

MR. BETHUNE: No, we do not pay rent. We did think of it at one time, but we could not make a satisfactory agreement with the landlords. The city pays a certain amount for temporary shelter to help out in the extremely urgent cases.

THE CHAIRMAN: Assuming your view to be correct, that it is having this debilitating effect, what is the solution of the problem?

MR. BETHUNE: I cannot offer a solution, but at least, I can say this, where the necessity for giving unemployment relief arises from a national breakdown, the burden should be taken from the city. Whenever this situation arises as a result of a local disturbance, such as a large industry closing down and releasing its employees

that would be a local matter. Direct relief must have been regarded as a federal matter, although every contract made with the municipality contained a clause which said, "Whereas the responsibility for supplying direct relief is a matter for the municipality," This was made a part of the contract. Nevertheless, it must have been a matter which was properly the concern of the Dominion government, otherwise the government would not be spending such substantial sums of money in the various municipalities.

COMMISSIONER DAFOE: The Dominion government would never concede, in principle, that it was a matter of federal concern, that is true. However, in fact, it must have been conceded because it actually paid the money. The only public man who would say it was a public emergency was the leader of the opposition, whoever he might be at the time.

MR. BETHUNE: The relief situation, though, is something if once started, some steps should be taken towards bringing it to a close. How that is to be done is a problem for a better mind than mine.

THE CHAIRMAN: Take your own city, you control distribution of direct relief, and you have the power to cut an applicant off the same as you have the power to put on an applicant. Would it not be possible for you, in the administration of your relief, to deal with these cases which you have mentioned, these people who could maintain themselves?

MR. BETHUNE: We could, within the limits of the contract which is made between the provinces and the Dominion. The recent agreement contains a number of

detailed requirements and it specifies who is to get relief and who is not to get relief. It is altogether a different proposition to work this out. If we were to say to a person, "No, you cannot receive relief", then that person would say, "Well, I want poor relief." We would be forced to say we could not give them poor relief because poor relief is only given to paupers. So long as a person is not a pauper, under our poor relief Act, we cannot assist that person. The only way we can assist a pauper under our poor relief act is in our city home. We cannot go outside and give assistance for poor relief, it must be done in the city home. I question whether it is advisable to go to such lengths. It is worth something to this country, to keep the family together. It was for this reason that direct relief was instituted, in order to keep a family together and help them until better times arrived.

THE CHAIRMAN: I was dealing with the case which you suggested, of a man who was entitled to relief, but who would otherwise have provided for himself.

MR. BETHUNE: The difficulty is in enforcing that. Direct relief is given to the people and the general impression has gone out that it is there for them. It is impossible for the administration to do anything else so long as that idea remains in the minds of the people. I feel if a recommendation can be made along this line, it will be a great relief to a great many municipalities which are suffering under the load they have to carry.

The last item in our submission deals with a claim for exemption from business sales and stamp tax on cheques.

This exemption is extended to other governments in this country.

COMMISSIONER SIROIS: Have you any idea as to the amount which the city of Halifax would save?

MR. BETHUNE: No, I have not. It applies to the purchases made in the Public Works Department and our expenditure in that department is approximately a quarter of a million dollars. The tax on that amount would be a fairly respectable item. If the exemption is extended to other governments, the provincial governments are exempted from the sales tax, the municipalities are also carrying on a portion of the government of Canada and it is submitted that they should not be obliged to pay a tax of that kind. The last pages of this Brief are taken up with our final submission. You will note on page 20, a table showing the result of the receipt by the city of the amount of money which is suggest ought to be paid. The symbols are explained below. If the city were to receive payments in lieu of taxation from the Military and Naval properties, the Canadian National Railway properties and the National Harbour Board properties, the amount which would be paid would be \$539,626.00. Our tax rate would be reduced to 27.1 mills as against 36.2 mills at the present time. This table is made up to show any one, two or three of these amounts. It will be seen from the map how this would affect the city. Perhaps it illustrates a little clearer the amount of city property. If there is any further information which the city can give you in order to make the matter clearer, we would be very pleased to do so.

THE CHAIRMAN: We are indebted to you, Mr. Bethune. You have presented the case very clearly and consisely It will certainly receive our very careful consideration. Have you any questions to ask, Mr. Stewart?

BY MR. STEWART

Q. Just one, I think, for the sake of the record. The city of Halifax does not come under the Department of Municipal Affairs of Nova Scotia, does it? A. No, it does not.

Q. And any borrowing which it does must be taken directly to the legislature? A. That is right.

Q. It is not under the Department of Municipal Affairs in any way? A. No.

THE CHAIRMAN: This Brief of the City of Halifax will be exhibit number 158.

EXHIBIT NO. 158: Brief of the city of Halifax.

THE CHAIRMAN: The Halifax Board of Trade is next.

MR. STEWART: MR. Whitman, is presenting the Brief, my Lord.

THE CHAIRMAN: We will be very glad to hear you, Mr. Whitman.

MR. A. HANDFIELD WHITMAN, was called.

MR. WHITMAN: I am presenting this report as Chairman of the Sub Committee of the Halifax Board of Trade, This subcommittee was appointed when we received word from Ottawa, that the Board of Trade of the City of Halifax would be asked to make a submission to this Commission. I believe most of the contents of this Brief have been very fully dealt with through other channels. The first submission is in regard to the submission made to this Commission by the city of Halifax. I might say that the city officials drew up their sub-

mission and met in joint conference with the Board of Trade. We had several conferences in regard to this Brief as the mayor was particularly anxious to have the judgment of a group of businessmen upon it. In our Brief, we simply say that this submission was thoroughly gone into and we desire to state that we are in full accord with the statements contained in it. The second item in our Brief concerns maritime union. I am perhaps personally responsible for that appearing in our Brief. The fact that those of us who go to other provinces are often faced with the question of maritime union prompted us to put this reference in. I found that this was particularly true during a trip last summer with the Canadian Chamber of Commerce. Therefore, while we did not consider this as a live issue, we did put this item in. As you will note, we simply give the opinion that we do not consider it advisable, feasible, or economical.

THE CHAIRMAN: You may be interested in hearing that it was from the maritimes we first received the proposal. It was thought that union would be a feasible method of reducing governmental expenditure.

MR. WHITMAN: I do not want to take up a lot of time with a long history, but it was rather interesting to read the volumes published by Sir Joseph Thompson on, "the Life of Howe". In this publication we are told how this matter was treated in the very early days.

THE CHAIRMAN: I have that, "Life of Howe", in my library.

MR. WHITMAN: A point which was rather interesting to me was the fact that after Confederation, as probably everyone knows, a delegation headed by Howe went from Nova Scotia to London. In one of the letters written to

Halifax Chronicle, Howe states that they took the matter up, that is the question of maritime union. He was advised if maritime union could be brought about there was a possibility of repealing Confederation. Howe, at once, sent out to Nova Scotia, and had delegates sent to Prince Edward Island and New Brunswick. These delegates reported that they considered it impossible, that it was not feasible and it was not economical. I might say this, if under the stress of discontent in Nova Scotia at that time maritime union was not deemed feasible, the feeling for maritime union certainly has not gained since then.

The third point in our Brief concerns the duplication of services, taxes, etc. The cost of government in Canada, particularly concerning the federal and provincial governments, has become so burdensome that drastic steps should be taken to discontinue, and in future, prevent duplication of services. These matters have been so thoroughly gone into by the Premier, that I have really nothing further to say in that regard.

THE CHAIRMAN: Have you become a convert to the Premier's views, that they cannot go much further in that direction?

MR. WHITMAN: I do not think I needed to be converted. The next point deals with interprovincial trade barriers and I am going to ask, with your permission, Mr. C. H. Wright, Supervisor of the General Electric in the maritime provinces to deal with that subject.

MR. C. H. WRIGHT: was called.

MR. WRIGHT: The particular reference in this case, is to chapter 12, section six of the Acts of the province of New Brunswick, 1936. This case has been presented

to you at least on two other occasions, once in Winnipeg. The point to which we are taking exception was very well presented to you this morning by the Premier. I am willing to answer any questions which you might desire to ask, but if there are none, I think sufficient has been said on the subject.

THE CHAIRMAN: We may take it, I assume, that the Board of Trade is convinced that there should be no barriers to interprovincial trade. In other words that the citizens of one province should have the right to trade in another. In order to assure that, would your Board favour an amendment to the B. N. A. Act?

MR. WRIGHT: Yes, we would like to have that clearly stated. I think that covers the point. There are some minor points as to where that line should be drawn.

THE CHAIRMAN: We are only concerned with the general principle.

(Page 4308 follows)

MR. WHITMAN: The next submission, my Lord, is in regard to public utility taxes and Mr. J.B. Hayes, general manager of the Nova Scotia Light & Power Company will present that, with your permission.

THE CHAIRMAN: Mr. Hayes, we would be glad to hear you.

MR. J.B. HAYES, Vice-President Halifax Board of Trade. Mr. Chairman, this matter was presented to this Commission in a general way by the Canadian Electrical Association in which the statement was made that a small proportion only of the taxes paid by privately owned utilities were paid to the provincial and to the federal government. That is a little different in the city of Halifax. I have had an analysis prepared of taxes paid by the electrical department of our company in Halifax. It averaged slightly over \$10.00 per year per meter, which is a little more than per customer, because some customers have more than one meter. Dividing it between the taxes paid to the various taxing powers, of that \$10.00, \$4.40 is paid to the city of Halifax, \$2.51 is paid to the Province of Nova Scotia and \$3.13 is paid to the Dominion.

The inequality that is suggested in this brief of taxation is rather strikingly illustrated by two instances that came to my personal notice within the past few years. The town of Middleton sold its municipally owned electric system, including generating system, to a company investor-owned. Immediately the citizens of the town of Middleton began to pay taxes to the province of Nova Scotia and the Dominion. Last year the privately owned utility that served the town of Lunenburg sold its electric plant to the municipality. Immediately the citizens of Lunenburg ceased to pay taxes and contribute to the province and the Dominion. In other words a change of ownership alone transferred ^{the tax} /in effect from a taxpayer of Lunenburg to a

similar citizen, an electric light user, in Middleton.

THE CHAIRMAN: I do not quite understand the basis of the division of tax between the three. I can understand the municipal tax is based upon your municipal assessment. What is the Dominion based on?

MR.HAYES: The Municipal tax is not quite as simple as that, sir. There are five municipal taxes payable by the electric company in Halifax, namely, gross earnings tax, a property tax, a business tax, a business licence tax and a meter tax.

THE CHAIRMAN: They seem to have endeavored to see that you do not evade any of your proper municipal responsibilities?

MR.HAYES: I think there are seventeen we pay altogether, sir. There are six provincial taxes, namely, public utility assessment, meter tax, gross earnings tax, capital tax, registration tax and miscellaneous. As the miscellaneous is only seventy-five cents I imagine that is only one. There are two Dominion taxes, income tax and miscellaneous tax.

THE CHAIRMAN: Yes. I thought it was some special tax on a public utility; I did not understand it. Thank you.

MR.WHITMAN: Item 6 of the Board of Trade submission deals with the railway problem. I am sorry that Mr. D.R. Turnbull, general manager of the Canadian Sugar Refinery and chairman of the Maritime Provinces Transportation Commission is not here, he is out of town. But I think the submission there pretty well covers the situation as seen by members of the Board of Trade here. I might make a personal remark, and that was particularly brought home to me in listening to the various submissions before your Commission, and that is if the savings that are put up to

us that could be got by coordinating the two railroads, a lot of these wants and demands of the various provinces could be met.

THE CHAIRMAN: I see you put it "Canada's railway problem is not new and it is well known that a large percentage of our taxes is attributable to the ever recurring deficits on the Canadian National system it is sufficient to say that the cumulative deficit at the end of 1936 amounted to a sum little short of one billion dollars. We maintain that this is a controllable deficit, and therefore, suggest to your Commission that it recommends to the Government that steps be taken at the earliest possible date to place the two large transportation systems of this country under one operating control, with definite instructions to the operating management to discontinue duplication of lines and services, to cease destructive competition, and to operate for joint account under the highest efficiency, giving adequate service to the country within their ability to pay."

Now, you say "under one operating control". What is your suggestion there?

MR. WHITMAN: Naturally, I happen to be chairman of the Transportation Committee of the Board of Trade, so that questions in regard to transportation have come up before me and my committee and we, I think, have come to feel that the two railways should be coordinated. The difficulty, we feel, is mostly at Ottawa, the fear of political consequences, to speak quite frankly, and if the leaders on both sides could get together the matter could be solved by coordinating the two railways.

THE CHAIRMAN: Have you given thought to this phase of the problem: Do you mean to maintain the two systems as independent units with coordination under some common control, or to merge the two systems? What is the meaning of the recommendation?

MR. WHITMAN: They would have to come together under common control. The whole thing would have to go before an independent committee and be analyzed and the rights of both railways worked out. Under these drastic - they look like drastic - recommendations that have been put forward by the head of the C.P.R., and also by the head of the Canadian National Railways there being a big difference, as you know, about the question of savings, running from seventy-five million dollars in one case to fifty-eight million in another case, with independent views that there would be a saving of somewhere at least of forty to fifty million dollars. And that brought about a great deal by the abandonment of many thousands of miles of railway, or some thousands of miles of railway, and of course a big cutting down of labour. And of course the labour is one of the stumbling blocks. You no doubt have had before you various reviews of the whole situation. One of the best that I have had is the one that was delivered by J. J. Gibbons, president of the Toronto Board of Trade in an address which was given at the meeting of the Chamber of Commerce in Vancouver last August, and that at least had some attention of the Committee ^{of the} Board of Trade here, and as far as I could judge we approved of the recommendations made in that. It is gone into very exhaustively and leads to the same point as we arrived at or Mr. Turnbull, who really wrote this submission in regard to the transportation.

THE CHAIRMAN: The importance is that your Board

of trade makes a definite recommendation that some action should be taken in reference to the railway situation so as to avoid, if possible, the over-recurring deficits, but beyond suggesting the two large transportation systems under one operating control you do not feel justified in going any further?

MR.WHITMAN: I think that a small committee of the Halifax Board of Trade or any other board of trade could hardly go any further. It is a matter that has got to be gone into thoroughly by some independent board as to what could be done or what we say ought to be done, unless it is done we have got this millstone hanging around our necks.

THE CHAIRMAN: May I ask your view upon one or two questions which have been raised in connection with the railway problem? One is this: If the railway system were all under one control, whether public control or private control, there would be a danger that it would have such a powerful political influence by reason of its dominating position in the country and the number of employees that it might largely determine public policy, at least might be very powerful in influencing public policy.

MR.WHITMAN: I would say that my committee would be of the opinion that that is one of the chief dangers that would come from the unification of the railways, but we do not think even that should keep the Dominion Government from going ahead with the unification scheme even though it had to be a compulsory one. It is such a serious one that I think the body of men that I am talking for would willingly take that chance in order to bring about this tremendous saving and the feeling of dread on the part of practically all thinking men: "Where is this going to end?"

THE CHAIRMAN: Your view is that Canada cannot continue to pay the large annual deficit on operating account of the present railway without seriously imperilling the credit of the country?

MR. WHITMAN: That is correct. I might also say, my Lord, there is rather a different feeling today than only a year or two ago. Everybody was a little more optimistic, but things that have happened recently, particularly in the country to the south, make us think that Canada is not going to recover as soon as we hoped it would, and therefore we should cut our coat according to the cloth and not take this chance. Whereas a lot of people thought you could take a chance, I think the feeling is becoming so general that this is such a dangerous position it should be tackled at once.

THE CHAIRMAN: I assume you will agree with the proposition I put to the Premier yesterday, with which he agreed, that the public debt of Canada should not be increased at the present time but an effort should be made to reduce rather than to increase the public debt.

MR. WHITMAN: I am in hearty agreement with that, sir.

Then, No. 7, a broader field of direct taxation. I am going to ask his Worship, the Mayor, to be good enough to speak to that.

MAYOR WALTER MITCHELL, - My Lord and Gentlemen: The members of the Halifax Board of Trade feel, in the case of the income tax, for instance, that the brackets should be lowered and the taxes in general should be more visible. For instance if there was a clamor for a public improvement in the city of Halifax the taxpayers would know it is going to cost them personally additional taxes. Unfortunately with the modern trend of the press, which more or less moulds public opinion, you will see demands for public works,

the average citizen not realizing that he actually is paying for those Dominion works in taxes which he does not see. A very small class of citizens, who pay directly income tax or a tax of that type, do know that it will lead to an increase, but the Board of Trade, sir, feel that if taxes were more visible to the average citizen, many of the demands which are now made on the Dominion Government would be moderated, because the average citizen on the whole is very sensible if he can only understand it all. Therefore, sir, we would ask the broadening of the base of taxation.

THE CHAIRMAN: You think that the income tax exemption should be lowered from what it is today?

MAYOR MITCHELL: Yes sir.

THE CHAIRMAN: Have you any suggestion to make in that respect?

MAYOR MITCHELL: My personal view is, and as we discussed it at the Board of Trade, I think that an exemption of say \$500 for a single person and \$1000 for a married person would make it appear more visible what taxes are being paid. Now it is \$1000 and \$2000, but to get the idea over to the citizens that they are really paying taxes. Of course, they are paying them now but they do not see it. They do not realize it. And then my thought is on a number of articles, such as sales tax, the sales tax is paid at the source. That is the best way of collecting it. There are many persons who buy articles of value, cars and so forth, all they know is the delivered price which does not show that they paid an 8% sales tax of so much, they paid an excise tax of something else, and actually they are being taxed very highly. They think it is all duty in the case of automobiles, but they do not realize what they are paying out in tax. When they buy a car or a suit of clothes

they do not realize they are paying a large amount proportionately in taxes in the amount they pay, and we thought if people were made tax-conscious there would not be nearly the demand on the Dominion Government or the local government for local improvements which are probably more than we can afford in many cases.

THE CHAIRMAN: Is there any suggestion as to the change in the tax to make it more direct, other than the one you have suggested?

MAYOR MITCHELL: No, I think we were dealing principally with federal taxes which are not very visible.

COMMISSIONER ANGUS: If you make people tax conscious by lowering the exemptions for income tax, they may react to that in one of two ways ;. they may say "Reduce expenditures", or they may say "Put that tax on the higher brackets".

MAYOR MITCHELL: They will undoubtedly say that, but the idea in lowering the income tax bracket is not so much as to what it would produce as to make the people tax-conscious who are not now tax conscious.

COMMISSIONER ANGUS: Yes, but might they not demand a reversal of that process?

MAYOR MITCHELL: They might demand it and they might get it, but at least they would be tax conscious, where to-day they are not.

THE CHAIRMAN: You think it would be worth having a slight increase in the higher brackets if you could get people below the exemption tax conscious?

MAYOR MITCHELL: I think so.

COMMISSIONER ANGUS: But the process of demanding the reverse and getting it would involve a change of government in the ordinary way?

MAYOR MITCHELL: That is right.

THE CHAIRMAN: These gentlemen only want to get that

done regardless of the change of government.

COMMISSIONER ANGUS: What I mean is are you expecting any government to make a sort of martyr of itself by making a change in order to make a reversal by a piece of popular education?

MAYOR MITCHELL: Yes, I think some governments fear unduly some of the steps which they might take, which would be steps in the right direction.

THE CHAIRMAN: That is probably true. Then No. 8.

MR. WHITMAN: Governments in business.

We deprecate the increasing tendency on the part of Governments to enter into various businesses that have been and can be well taken care of by private interests, we desire to point out the unfairness of subjecting private operations to governmental competition - the latter invariably carried on free of taxation.

The example that we have had here at Halifax is probably the best illustration of that, and that is the government entering into the Canadian Merchant Marine in opposition to local Halifax interests. Of course that met with disastrous results, if my memory serves me right, the loss running somewhere between one hundred and a hundred and fifty millions of dollars. We still have the "Lady" boats running at a heavy cost, of course, to the country. They are a considerable benefit to the city of Halifax, so when you come to a case of public opinion it is just doubtful if Halifax public opinion would not want that service to go on, but the whole of Canada is paying the loss.

THE CHAIRMAN: But has not that service of the "Lady" boats to the West Indies helped Halifax trade?

MR. WHITMAN: I would say no, we would have had the trade just the same through a private steamship company.

And as far as the inter-communication of people is concerned, of course, one of the things they put before the public was that the West Indians would be coming back and forth through Halifax and St. John. As a matter of fact they do not come to Halifax and St. John, except very few of them, we hardly see them. And the Canadian National Steamships within the last three years made Boston the first port of call coming in and the last port of call going out. So naturally the Upper Canada passengers take the boats at Boston and the West Indians coming up to Canada, not much interested in Halifax and St. John, land at Boston and go to Montreal.

THE CHAIRMAN: Was there an agitation here for the establishment of that line?

MR. WHITMAN: There was a very drastic agitation against it in the Halifax Board of Trade and we can give you a brief which pointed out what was going to happen and unfortunately it happened more hardly than we thought it would. The losses in connection with that West Indies trade have been enormous.

THE CHAIRMAN: Is there any other respect in which you deprecate the Government going into business? I mean has your Board of Trade any other aspect of business in mind?

MR. WHITMAN: Well, there are certain other things. For instance last year I think in this local house there was a bill presented that cooperative companies should be free of all taxes. I am very pleased to say it was thrown out and did not go through, and the only exemption they got was from the province itself on the corporation tax, which was very small. But what I am pointing to there is that there is a tendency to come into the local legislatures with regard to matters of that kind, which

are not fair to existing businesses. But generally speaking, the community here, as far as I can judge it, that is, the business community, want to be left alone and do not want the Government to take a hand in doing business. That is stating it in very plain words.

THE CHAIRMAN: You think private enterprise can regulate itself better than the government can regulate it?

MR. WHITMAN: We still have that feeling amongst us.

THE CHAIRMAN: Or compete with it?

MR. WHITMAN: Yes. We may be wrong.

THE CHAIRMAN: That is your view?

MR. WHITMAN: That is our view.

THE CHAIRMAN: Was there anything you would like to ask, Mr. Stewart?

MR. STEWART: Just in connection with the railway problem, Mr. Whitman. Did the Board of Trade consider the Maritime Freight Rates Act as a factor to be borne in mind in making the economies in railway administration or as one of the sources from which the deficit was built up?

MR. WHITMAN: As a matter of fact, Mr. Stewart, that did not come into our deliberations as far as I know. But I would think that would have come into the deliberations of the Maritime Provinces Transportation Commission, of which Mr. Turnbull was the head. The Halifax Board of Trade Transportation Committee, - in fact the whole Board of Trade of course, are thoroughly back of the Maritime Provinces Transportation Committee: and that was evidently done without any regard to matters of that kind. The consideration, I think, has come through that channel.

MR. STEWART: In connection with the portion Mr. Hayes referred to, I would like to know what he has in mind,

whether the equality of which he speaks is to be achieved by taxing the municipally owned company or by relieving the investor-owned.

MR.HAYES: I had in mind taxing the municipally owned. I had no intention of making even any hidden complaint about the height of taxation which I do not think should be in this picture at all.

THE CHAIRMAN: Thank you, Mr.Whitman. You presented a very interesting brief and it will receive our careful consideration. It will be exhibit No. 159.

EXHIBIT NO. 159: Brief submitted by
Halifax Board of
Trade.

THE CHAIRMAN: I think this concludes the briefs we are to hear at the city of Halifax, Mr.Macdonald.

HON. MR. MACDONALD: I just want to say a word which I did not have an opportunity of saying this morning in the confusion, - a word of thanks to you, Mr.Chairman, and the members of your Commission, for the patience and the courtesy and the attention that you have accorded not merely those presenting the briefs on behalf of the Government, but those who appeared for other public bodies as well. I think I can say for them all that no matter what the findings of the Commission may be with regard to the matters presented here, that it has been a great pleasure and a privilege for us in Nova Scotia to have had the association with members of this Commission, who all came here with reputations that were already great and which I know will be greater as their work on this Commission goes on. Thank you very much.

THE CHAIRMAN: We thank you most sincerely, Mr.Premier, for your very kind words. I know I can speak for my colleagues as well as myself and say that we have enjoyed the sessions here and all matters have been presented frankly

and fairly to us, and it has been a real pleasure to have had the hearing in Halifax.

(The Commission adjourned at 4:15 P.M. to)
(meet at Charlottetown, P.E.I, at 10:30 A.M.)
(Thursday, February 10th, 1938.)

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